[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2011

SENQU MUNICIPALITY

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SENQU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

Senqu Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Senqu Municipality includes the following areas:
Lady Grey
Barkly East
Sterkspruit
Rhodes
Herschel
Rossouw

MEMBERS OF THE EXECUTIVE COMMITTEE

MW Mpelwane
NY Mtyali
BN Mbonyana
NM Kwinana
J Mziki
M Mafilika

MUNICIPAL MANAGER

M M Yawa

CHIEF FINANCIAL OFFICER

C R Venter

REGISTERED OFFICE

P.O. Box 18
Lady Grey
9755

AUDITORS

Auditor-General
P O Box 13252
East London

PRINCIPLE BANKERS

Standard Bank

ATTORNEYS

Douglas & Botha

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

SENQU MUNICIPALITY

MEMBERS OF THE SENQU MUNICIPALITY

WARD	COUNCILLOR
1	B.S Majodina
2	P.G. Key
3	N. Nombula
4	N. M. Kwinana
5	Jim Lamani
6	N.C Mraji
7	N.A Mkhontwana
8	M.G. Moeletsi
9	A.P April
10	S. Mfisa
11	M.N Ngedane
12	M.P Bingwa
13	L.M Tokwe
14	M.J Mjali
15	S.S Ndzongana
16	M.M Mafilika
17	P. August
18	B. Ngogodo
19	N.C Motemekoane
Proportional	A. P. Kwinana
Proportional	A.H Sobhuza
Proportional	G. Mbonyana
Proportional	G.S Mvunyiswa
Proportional	I Mosisidi
Proportional	I. Elia
Proportional	I.S. Van De Walt
Proportional	J. Constable
Proportional	M. A Mshasha
Proportional	M. Senoamali
Proportional	M.A Mangali
Proportional	M.J Sereba
Proportional	M.W. Mpelwane
Proportional	N.M Nthako
Proportional	N.Y Mtyali
Proportional	R.M Joubert
Proportional	S. Mziki
Proportional	S.S Tindleni

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 77 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

M M Yawa
Municipal Manager

Date

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		**220 467 418**	**184 032 306**
Capital Replacement Reserve	**2**	56 463 739	39 964 908
Revaluation Reserve		844 413	566 134
Employee Benefits Reserve		5 644 845	-
Valuation Roll Reserve		689 618	-
Accumulated Surplus/(Deficit)		156 824 802	143 501 264
Non-Current Liabilities		**28 226 488**	**19 703 663**
Long-term Liabilities	**3**	15 703 059	8 162 581
Employee benefits	**4**	9 429 630	8 636 106
Non-Current Provisions	**5**	3 093 799	2 904 976
Current Liabilities		**37 835 526**	**24 388 276**
Consumer Deposits	**6**	341 819	362 978
Current Employee benefits	**7**	5 213 040	4 702 861
Provisions	**8**	6 072 663	5 675 386
Payables from exchange transactions	**9**	1 936 088	1 323 855
Unspent Conditional Government Grants and Receipts	**10**	23 489 875	12 141 540
Taxes	**11**	-	-
Operating Lease Liability	**21.1**	3 865	7 658
Current Portion of Long-term Liabilities	**3**	778 177	173 998
Total Net Assets and Liabilities		**286 529 432**	**228 124 245**
ASSETS			
Non-Current Assets		**157 950 256**	**137 886 440**
Property, Plant and Equipment	**12**	143 430 861	123 261 343
Capitalised Restoration Cost	**13**	1 637 299	1 717 797
Non-Current Assets Held for Sale	**14**	33 694	24 720
Investment Property	**15**	12 548 500	12 548 500
Intangible Assets	**16**	299 902	320 385
Long-Term Receivables	**17**	-	13 695
Current Assets		**128 579 176**	**90 237 805**
Inventory	**18**	5 153 854	3 716 672
Receivables from exchange transactions	**19**	4 476 402	10 103 640
Receivables from non-exchange transactions	**20**	942 838	1 042 119
Unpaid Conditional Government Grants and Receipts	**10**	321 568	38 141
Operating Lease Asset	**21.2**	33 327	9 770
Taxes	**11**	1 490 910	9 038 796
Current Portion of Long-term Receivables	**17**	13 695	16 740
Cash and Cash Equivalents	**22**	116 146 583	66 271 927
Total Assets		**286 529 432**	**228 124 245**

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 Restated - Note 37 R	2010 Previously Reported R
REVENUE				
Revenue from Non-exchange Transactions		**122 871 016**	**98 105 784**	**98 653 624**
Taxation Revenue		**4 197 252**	**3 937 597**	**3 937 597**
Property taxes	**23**	4 197 252	3 937 597	3 937 597
Transfer Revenue		**117 971 825**	**94 114 671**	**94 662 511**
Government Grants and Subsidies - Capital	**24**	41 478 066	34 378 128	34 378 128
Government Grants and Subsidies - Operating	**24**	76 493 759	59 736 542	60 284 382
Other Revenue		**701 939**	**53 517**	**53 517**
Actuarial Gains		632 639	-	-
Fines		69 300	53 517	53 517
Revenue from Exchange Transactions		**35 480 211**	**27 798 404**	**27 389 623**
Service Charges	**25**	17 853 820	12 036 262	12 036 262
Water Services Authority Contribution	**26**	9 286 090	6 760 616	6 760 616
Rental of Facilities and Equipment		375 048	541 073	541 542
Interest Earned - external investments		4 915 084	5 087 335	5 087 335
Interest Earned - outstanding debtors		1 136 907	919 207	919 207
Licences and Permits		950 871	1 165 950	1 165 950
Agency Services		462 566	517 585	517 585
Other Income	**27**	499 824	361 125	361 125
Gain on disposal of Property, Plant and Equipment		-	409 249	-
Total Revenue		**158 351 227**	**125 904 188**	**126 043 248**
EXPENDITURE				
Employee related costs	**28**	34 732 945	29 383 034	29 794 492
Remuneration of Councillors	**29**	7 158 923	6 806 863	6 806 863
Debt Impairment	**30**	1 332 557	2 331 971	2 331 971
Depreciation and Amortisation	**31**	10 801 695	8 433 277	-
Repairs and Maintenance		3 015 464	2 710 284	2 710 301
Actuarial losses	**4**	48 981	428 520	428 520
Finance Charges	**32**	1 570 656	680 827	28 865
Bulk Purchases	**33**	12 494 708	10 327 738	10 327 738
Grants and Subsidies Paid	**34**	798 812	397 058	397 058
Other Operating Grant Expenditure		34 539 433	17 753 299	17 753 299
General Expenses	**35**	15 170 399	12 329 077	12 348 444
Loss on disposal of PPE/Investment Property		458 428	2 449 699	2 449 699
Total Expenditure		**122 123 001**	**94 031 646**	**85 377 249**
NET SURPLUS/(DEFICIT) FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		**36 228 226**	**31 872 542**	**40 665 998**
Discontinued Operations (Health)	**36**	(71 394)	49 804	-
NET SURPLUS/(DEFICIT) FOR THE YEAR -AFTER DISCONTINUED OPERATIONS		**36 156 833**	**31 922 346**	**40 665 998**

SENQU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Capital Replacement Reserve	Revaluation Reserve	Employee Benefits Reserve	Valuation Roll Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R
Balance at 30 JUNE 2009	**45 850 902**	**-**	**-**	**-**	**129 611 930**	**175 462 832**
Correction of error - Note - 37.13	-	-	-	-	(23 919 007)	(23 919 007)
Restated Balance at 1 JULY 2009	**45 850 902**	**-**	**-**	**-**	**105 692 923**	**151 543 826**
Net Surplus/(Deficit) for the year	-	-	-	-	31 922 346	31 922 346
Property, Plant and Equipment purchased	(5 885 995)	-	-	-	5 885 995	-
Revaluation on Land and Buildings	-	566 134	-	-	-	566 134
Balance at 30 JUNE 2010	**39 964 908**	**566 134**	**-**	**-**	**143 501 264**	**184 032 306**
Net Surplus/(Deficit) for the year	-	-	-	-	36 156 833	36 156 833
Transfer to CRR	16 498 831	-	-	-	(16 498 831)	-
Property, Plant and Equipment purchased	-	-	-	-	-	-
Revaluation on Land and Buildings	-	278 279	-	-	-	278 279
Transfer to Valuation Roll Reserve in terms of Funding and Reserves Policy	-	-	-	689 618	(689 618)	-
Transfer to Employee Benefits Reserve in terms of Funding and Reserves Policy	-	-	5 644 845	-	(5 644 845)	-
Balance at 30 JUNE 2011	**56 463 739**	**844 413**	**5 644 845**	**689 618**	**156 824 802**	**220 467 418**

SENQU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		47 362 521	13 728 427
Government - operating		76 493 759	59 736 542
Government - capital		41 478 066	34 378 128
Interest		4 915 084	5 087 335
Payments			
Suppliers and employees		(95 086 189)	(79 487 301)
Finance charges		(1 570 656)	(680 827)
Transfers and Grants		(798 812)	(397 058)
Cash generated by operations	**38**	**72 793 773**	**32 365 248**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(31 759 474)	(43 818 024)
Proceeds on Disposal of Fixed Assets		781 877	405 188
Purchase of Intangible Assets		(81 758)	(122 848)
Decrease in Long-term Receivables		16 740	15 153
Net Cash from Investing Activities		**(31 042 615)**	**(43 520 530)**
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		8 473 416	8 336 579
Loans repaid		(328 758)	-
Decrease in Consumer Deposits		(21 159)	(16 180)
Net Cash from Financing Activities		**8 123 498**	**8 320 399**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**49 874 656**	**(2 834 883)**
Cash and Cash Equivalents at the beginning of the year		66 271 927	69 106 810
Cash and Cash Equivalents at the end of the year	**39**	116 146 583	66 271 927
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**49 874 656**	**(2 834 883)**

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 6 (Revised)	**Consolidated and Separate Financial Statements** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 7 (Revised)	**Investments in Associate** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 8 (Revised)	**Interest in Joint Ventures** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 18	**Segment Reporting** Information to a large extent is already included in the notes to the annual financial statements.	**Unknown**
GRAP 24	**Presentation of Budget Information in Financial Statements** Information to a large extent is already included in the notes to the annual financial statements.	**1 April 2012**
GRAP 25	**Employee Benefits** Information to a large extent is already included in the notes to the annual financial statements.	**Unknown**
GRAP 103	**Heritage Assets** No adjustments necessary as the municipality has no significant heritage assets.	**1 April 2012**
GRAP 104	**Financial Instruments** Information to a large extent is already included in the notes to the annual financial statements.	**Unknown**
GRAP 105	**Transfer of Functions Between Entities Under Common Control** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 106	**Transfer of Functions Between Entities Not Under Common Control** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 107	**Mergers** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

1.8.2 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of the Valuation roll

1.8.3 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit.

1.8.4 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.10. GOVERNMENT GRANTS AND RECEIPTS

1.10.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.13. EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against

the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and Retirement Fund Obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.15.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		***Years***
Infrastructure		**Other**	
Roads and Paving	5 - 50	Buildings	100
Pedestrian Malls	20	Specialist vehicles	10 - 30
Electricity	15 - 50	Other vehicles	5 - 20
Water	15 - 20	Office equipment	5 - 10
Sewerage	10 - 50	Furniture and fittings	7 - 15
		Bins and containers	5 - 10
Community		Specialised plant and	
Buildings	100	Equipment	10 - 30
Recreational Facilities	20 - 30	Other plant and	
Security	5	Equipment	2 - 12
Halls	20 - 30	Landfill sites	30
Libraries	20 - 30		
Parks and gardens	15 - 20	Emergency equipment	10 - 30
Other assets	15 - 20	Computer equipment	5 - 10

Heritage Assets and Land	
Heritage assets	50- Infinite
Land	Infinite
Finance lease assets	
Office equipment	3
Other assets	5 - 6

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no

impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.15.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.6 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary

course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.4 Application of deemed cost - Directive 7

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. ,

Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 *Receivables*

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

(a) Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

(b) Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance

Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post Retirement Medical Obligations and Long Service Awards

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Provision for Task Implementation and Back Pay

The provision at 30 June 2010 for Task Implementation represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2011 for Back Pay represents the municipality's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based actual remuneration paid versus the requirements of the amended packages.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

		2011 R	2010 R
2	**NET ASSET RESERVES**		
	RESERVES	63 642 616	39 964 908
	Capital Replacement Reserve	56 463 739	39 964 908
	Employee Benefits Reserve	5 644 845	-
	Revaluations Reserve (Restated 2010)	844 413	566 134
	Valuation Roll Reserve	689 618	-
	Total Net Asset Reserve and Liabilities	**63 642 616**	**39 964 908**
3	**LONG-TERM LIABILITIES**		
	Annuity Loans - At amortised cost	16 407 798	8 336 579
	Capitalised Lease Liability - At amortised cost	73 438	-
		16 481 236	**8 336 579**
	Less: Current Portion transferred to Current Liabilities	**778 177**	**173 998**
	Annuity Loans - At amortised cost	748 677	173 998
	Capitalised Lease Liability - At amortised cost	29 500	-
	Total Long-term Liabilities - At amortised cost using the effective interest rate metho	**15 703 059**	**8 162 581**
	Development Bank Loan		
	The fair value of Long- Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.		
	Borrowing costs capitalised to Property, Plant and Equipment at a rate of 6 months ZAR-JIBAR-SAFEX plus 214 basis points and 3 months ZAR-JIBAR-SAFEX plus 210 basis points in terms of GRAP 5. For the 2011 financial year expenditure incured was recovered retrospectively from the DBSA on the loan and therefore no borrowing costs was capitalised.	**-**	**82 902**

	Minimum annuity payments	
The obligations under annuity loans are scheduled below		
Amounts payable under annuity loans:		
Payable within one year	1 988 898	1 332 008
Payable within two to five years	7 449 473	7 025 985
Payable after five years	19 813 481	27 225 690
	29 251 852	35 583 683
Less: Future finance obligations	(12 844 054)	(18 583 683)
Present value of annuity obligations	**16 407 798**	**17 000 000**

	Minimum lease payments	
The obligations under finance leases are scheduled below:		
Amounts payable under finance leases:		
Payable within one year	35 215	-
Payable within two to five years	46 954	-
Payable after five years	-	-
	82 169	-
Less: Future finance obligations	(8 730)	-
Present value of lease obligations	**73 438**	**-**

Leases are secured by property, plant and equipment - Note 12

4	**EMPLOYEE BENEFITS**		
	Post Retirement Benefits - Refer to Note 4.1	8 787 735	8 070 673
	Long Service Awards - Refer to Note 4.2	641 895	565 433
	Total Non-current Employee Benefit Liabilities	**9 429 630**	**8 636 106**

	2011 R	2010 R
Post Retirement Benefits		
Balance 1 July	8 217 745	6 757 518
Contribution for the year	1 484 246	1 281 909
Expenditure for the year	(117 421)	(128 886)
Actuarial Loss/(Gain)	(632 639)	307 204
Total post retirement benefits 30 June	**8 951 931**	**8 217 745**
Less: Transfer of Current Portion - Note 7	(164 196)	(147 072)
Balance 30 June	**8 787 735**	**8 070 673**
Long Service Awards		
Balance 1 July	644 199	586 437
Contribution for the year	149 414	145 637
Expenditure for the year	-	(209 191)
Actuarial Loss/(Gain)	48 981	121 316
Total long service 30 June	**842 594**	**644 199**
Less: Transfer of Current Portion - Note 7	(200 699)	(78 766)
Balance 30 June	**641 895**	**565 433**
TOTAL NON-CURRENT EMPOLYEE BENEFITS		
Balance 1 July	8 861 944	7 343 955
Contribution for the year	1 633 660	1 427 546
Expenditure for the year	(117 421)	(338 077)
Actuarial Loss/(Gain)	(583 658)	428 520
Total employee benefits 30 June	**9 794 525**	**8 861 944**
Less: Transfer of Current Portion - Note 7	(364 895)	(225 838)
Balance 30 June	**9 429 630**	**8 636 106**

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	93	109
Continuation members (e.g. Retirees, widows, orphans)	5	5
Total Members	**98**	**114**

The liability in respect of past service has been estimated to be as follows:

In-service members	6 567 923	6 111 873
Continuation members	2 384 008	2 105 872
Total Liability	**8 951 931**	**8 217 745**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R (million)	2008 R (million)	2007 R (million)
Total Liability	6.758	5.706	4.606

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Discovery
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 750 242, whereas the Interest Cost for the next year is estimated to be R 778 594.

Key actuarial assumptions used:	2011 %	2010 %
i) Rate of interest		
Discount rate	8.78%	9.22%
Health Care Cost Inflation Rate	7.35%	7.27%
Net Effective Discount Rate	1.33%	1.82%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63 for males and 58 for females, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	8 951 931	8 217 745
Net liability/(asset)	**8 951 931**	**8 217 745**

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	8 217 745	6 757 518
Total expenses	1 366 825	1 153 023
Current service cost	733 518	677 697
Interest Cost	750 728	604 212
Benefits Paid	(117 421)	(128 886)
Actuarial (gains)/losses	(632 639)	307 204
Present value of fund obligation at the end of the year	8 951 931	8 217 745
Less: Transfer of Current Portion - Note 7	(164 196)	(147 072)
Balance 30 June	**8 787 735**	**8 070 673**

4 EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	6.568	2.384	8.952	9%

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	7.873	2.636	10.509	17%
Health care inflation	-1%	5.53	2.165	7.695	-14%
Post-retirement mortality	-1 year	6.785	2.474	9.259	3%
Average retirement age	-1 year	7.781	2.384	10.165	8%
Withdrawal Rate	-50%	7.192	2.384	9.576	7%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses	176	124

The Future-service Cost for the ensuing year is estimated to be R180 503, whereas the Interest cost for the next year is estimated to be R56 202.

Key actuarial assumptions used:	2011 %	2010 %
i) Rate of interest		
Discount rate	7.55%	8.85%
General Salary Inflation (long-term)	6.22%	6.31%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.26%	2.39%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	842 594	644 199
Net liability/(asset)	**842 594**	**644 199**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R	2007 R
Total Liability	586 437	541 843	433 340

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	644 199	586 437
Total expenses	149 414	(63 554)
Current service cost	95 816	96 907
Interest Cost	53 598	48 730
Benefits Paid	-	(209 191)
Actuarial (gains)/losses	48 981	121 316
Present value of fund obligation at the end of the year	842 594	644 199
Less: Transfer of Current Portion - Note 7	(200 699)	(78 766)
Balance 30 June	**641 895**	**565 433**

Sensitivity Analysis on changes to the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		0.843	
General salary inflation	1%	0.883	5%
General salary inflation	-1%	0.805	-4%
Average retirement age	-2 yrs	0.804	-5%
Average retirement age	2 yrs	0.925	10%
Withdrawal rates	-50%	0.973	15%

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in the principles of GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

		2011 R	2010 R
5	**NON-CURRENT PROVISIONS**		
	Provision for Rehabilitation of Landfill-sites	3 093 799	2 904 976
	Total Non-current Employee Benefit Liabilities	**3 093 799**	**2 904 976**

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:

Landfill Sites

Balance 1 July	8 580 361	-
First time recognition of Landfill Site Provision - Note 37.07	-	8 031 775
Restated Balance 1 July	8 580 361	8 031 775
Interest accrual	586 100	548 586
Total provision 30 June	**9 166 462**	**8 580 361**
Less: Transfer of Current Portion to Current Provisions - Note 8	(6 072 663)	(5 675 386)
Balance 30 June	**3 093 799**	**2 904 976**

6	**CONSUMER DEPOSITS**		
	Electricity	341 819	362 978
	Total Consumer Deposits	**341 819**	**362 978**
	Guarantees held in lieu of Electricity Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer deposits are paid by consumers on application for new and electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

7	**CURRENT EMPLOYEE BENEFITS**		
	Current Portion of Post Retirement Benefits - Note 4	164 196	147 072
	Current Portion of Long-Service Provisions - Note 4	200 699	78 766
	Bonuses and Performance Bonuses	2 242 421	2 190 272
	Task implementation backpay	-	80 901
	Compensation for injuries on duty contribution	795 319	360 829
	Staff Leave	1 810 405	1 845 022
	Total Current Employee Benefits	**5 213 040**	**4 702 861**

The movement in current employee benefits are reconciled as follows:

	2011 R	2010 R
Post Retirement Benefits		
Balance at beginning of year	147 072	118 474
Adjustment from non-current	17 124	28 598
Balance at end of year	**164 196**	**147 072**
Long-service Awards		
Balance at beginning of year	78 766	93 237
Adjustment from non-current	121 933	(14 471)
Balance at end of year	**200 699**	**78 766**
Bonuses and Performance Bonuses		
Balance at beginning of year	2 190 272	1 853 082
Contribution to provision	1 851 139	790 782
Expenditure incurred	(1 798 990)	(453 593)
Balance at end of year	**2 242 421**	**2 190 272**

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Task Implementation Backpay		
Balance at beginning of year	80 901	-
Contribution to current portion	-	80 901
Expenditure incurred	(80 901)	-
Balance at end of year	**-**	**80 901**

A new national grading system for municipalities was approved wich includes backpay as from 01 October 2009 for qualifying post-levels. The provision is in respect of this backpay wich was paid during July 2010.

Compensation for injuries on duty contributior		
Balance at beginning of year	360 829	284 070
Contribution to provision	434 490	360 829
Expenditure incurred	-	(284 070)
Balance at end of year	**795 319**	**360 829**

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

Staff Leave		
Balance at beginning of year	1 845 022	1 510 541
Contribution to provision	501 674	760 129
Expenditure incurred	(536 290)	(425 648)
Balance at end of year	**1 810 405**	**1 845 022**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 5	6 072 663	5 675 386
Balance previously reported		-
Current portion of Landfill sites transferred from Non-current Provision - Note 37.08		5 675 386
Total Provisions	**6 072 663**	**5 675 386**

		2011 R	2010 R
9	**PAYABLES FROM EXCHANGE TRANSACTIONS**		
	Other Payables	578 241	451 648
	Deposits: Other	8 787	750
	Payments received in advance	717 890	625 250
	Retentions	370 268	142 831
	Balance previously reported		-
	Retentions previously not recognised - Note 37.02		142 831
	DBSA Interest Accrual	260 901	103 375
	Balance previously reported		-
	Interest Accrued previously not recognised - Note 37.02		103 375
	Total Trade Payables	**1 936 088**	**1 323 855**

Payables are being recognised net of any discounts

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of payables approximates its fair value

10	**UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**		
	Unspent Grants	23 489 875	12 141 540
	National Government Grants	7 196 397	433 836
	Provincial Government Grants	16 086 181	11 476 889
	District Municipality	207 297	230 815
	Less: Unpaid Grants	321 568	38 141
	National Government Grants	321 568	38 141
	Total Conditional Grants and Receipts	**23 168 306**	**12 103 399**

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11	**TAXES**		
	VAT Receivable	1 490 910	9 038 796
	Balance previously reported		9 162 052
	Correction of VAT incorrectly capitalised - Note 37.03		67 533
	VAT claims disallowed by SARS for 2009/2010 - Note - 37.03		(190 789)
		1 490 910	**9 038 796**

VAT is payable/receivable on the cash basis.

12 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

		2011 R	2010 R
13	**CAPITALISED RESTORATION COST**		
	Net Carrying amount at 1 July	**1 717 797**	**1 798 295**
	Cost	2 120 286	2 120 286
	Balance previously reported		-
	First time recognition of Capitalised Restoration Cost - At Cost- Note 37.01		2 120 286
	Accumulated Depreciation	(402 489)	(321 991)
	Balance previously reported		-
	First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 37.01		(321 991)
	Acquisitions	-	-
	Depreciation for the year	(80 498)	(80 498)
	Balance previously reported		-
	Recognition of Depreciation for 2009/2010 - Note 37.01		(80 498)
	Impairment	-	-
	Net Carrying amount at 30 June	**1 637 299**	**1 717 797**
	Cost	2 120 286	2 120 286
	Accumulated Depreciation	(482 987)	(402 489)
14	**NON-CURRENT ASSETS HELD FOR SALE**		
	Non-current assets held for sale at beginning of year - at book value	24 720	1 844 498
	Additions for the year	1 111 092	(407 755)
	Balance previously reported		-
	Assets previously not recognised in disposal group - Note 37.04		(407 755)
		1 135 812	1 436 743
	Non-current assets sold/written off during the year	(1 102 118)	(1 412 023)
	Balance previously reported		(1 819 778)
	Assets previously not recognised in disposal group - Note 37.04		407 755
	Non-current assets held for sale at end of year - at book value	**33 694**	**24 720**
15	**INVESTMENT PROPERTY**		
	Net Carrying amount at 1 July	**12 548 500**	**12 548 500**
	Fair Value	12 548 500	12 548 500
	Balance previously reported		-
	Restructuring of Investment Property register - At Fair Value - Note 37.05		12 548 500
	Net Carrying amount at 30 June	**12 548 500**	**12 548 500**
	Fair Value	12 548 500	12 548 500

The municipality did not measure the Investment Properties in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Investment Property were measured in accordance with GRAP 16 and restated retrospectively:

Fair Value	12 548 500
Total not previously recognised now restated retrospectively	**12 548 500**

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

16	INTANGIBLE ASSETS	2011 R	2010 R
	Computer Software		
	Net Carrying amount at 1 July	**320 385**	**274 021**
	Cost	502 373	381 192
	Balance previously reported		380 081
	Intangible Assets previously not recognised and measured - 1 July 2009 - Note 37.06		1 111
	Accumulated Amortisation	(181 988)	(107 171)
	Balance previously reported		-
	Backlog Depreciation recognised for the first time - 1 July 2009 - Note 37.06		(107 171)
	Acquisitions	81 758	122 848
	Disposals	-	(172)
	Balance previously reported		(1 667)
	Depreciation previously not recognised on disposals - Note 37.14		1 494
	Impairments	-	-
	Amortisation	(102 240)	(76 311)
	Balance previously reported		-
	Depreciation on Intangible assets for 2009/2010 recognised - Note 37.06		(76 311)
	Net Carrying amount at 30 June	**299 902**	**320 385**
	Cost	584 130	502 373
	Accumulated Amortisation	(284 228)	(181 988)

The municipality did not measure the Intangible Assets in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

	2010
Computer software;	1 111
Accumulated amortisation on computer software	(181 988)
Total not previously recognised now restated retrospectively	(180 877)

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

17	LONG-TERM RECEIVABLES		
	Staff Housing Loans - At amortised cost	13 695	30 435
	Less: Current portion transferred to current receivables	13 695	16 740
	Staff Housing Loans - At amortised cost	13 695	16 740
		-	13 695
	Less: Provision for Impairment of Long Term Receivables	-	-
	Total Long Term Receivables	**-**	**13 695**

HOUSING LOANS

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2011.

		2011 R	2010 R
18	**INVENTORY**		
	Electricity materials	1 920 954	483 772
	Balance previously reported		-
	Inventory incorrectly classified as Property, Plant and Equipment in prior year - Note 37.09		483 772
	Land held for sale	3 232 900	3 232 900
	Balance previously reported		-
	First time recognition of Land held for Sale - Note 37.09		3 232 900
	Total Inventory	**5 153 854**	**3 716 672**
	The municipality did not measure the Inventory in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Inventory were measured in accordance with GRAP 12 and restated retrospectively:		
	Electricity materials		483 772
	Land held for sale		3 232 900
		-	3 716 672
19	**RECEIVABLES FROM EXCHANGE TRANSACTIONS**		
	Service Receivables		
	Electricity	3 777 618	3 236 848
	Water	1 906 602	1 618 924
	Housing Rentals	219 456	307 184
	Refuse	2 471 194	2 064 517
	Sewerage	1 813 583	1 475 902
	Other Arrears	1 370 585	7 835 990
	Joe Gqabi District Municipality (Water Services Authority)	-	6 760 616
	Balance previously reported		6 577 052
	Reversal of 2008/2009 Agency Fee balance represented by the Nett difference in debtors and impairment provision - Note 37.1		183 564
	Gariep Municipality (R 700 000 Short-term operating loan including interest)	788 724	719 813
	Payments in advance	581 862	355 560
	Total Service Receivables	**11 559 037**	**16 539 365**
	Less: Allowance for Doubtful Debts	(7 082 635)	(6 435 725)
	Net Service Receivables	**4 476 402**	**10 103 640**
	Total Net Receivables from Exchange Transactions	**4 476 402**	**10 103 640**
	Consumer debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
	Ageing of Receivables from Exchange Transactions		
	(Electricity): Ageing		
	Current (0 - 30 days)	1 890 074	1 239 631
	31 - 60 Days	622 588	466 202
	61 - 90 Days	283 935	361 110
	+ 90 Days	1 395 260	1 354 803
	Payment received in advance	(414 238)	(184 898)
	Total	**3 777 618**	**3 236 848**
	(Water): Ageing		
	Current (0 - 30 days)	245 311	187 841
	31 - 60 Days	79 661	70 866
	61 - 90 Days	52 780	67 796
	+ 90 Days	1 601 339	1 365 629
	Payment received in advance	(72 489)	(73 209)
	Total	**1 906 602**	**1 618 924**

	2011 R	2010 R
(Housing Rentals): Ageing		
Current (0 - 30 days)	11 569	23 758
31 - 60 Days	6 445	29 134
61 - 90 Days	4 942	22 188
+ 90 Days	249 193	277 209
Payment received in advance	(52 693)	(45 104)
Total	**219 456**	**307 184**
(Refuse): Ageing		
Current (0 - 30 days)	185 938	152 827
31 - 60 Days	85 673	91 902
61 - 90 Days	62 823	74 160
+ 90 Days	2 167 751	1 780 447
Payment received in advance	(30 991)	(34 819)
Total	**2 471 194**	**2 064 517**
(Sewerage): Ageing		
Current (0 - 30 days)	90 195	66 832
31 - 60 Days	50 977	45 738
61 - 90 Days	37 026	40 867
+ 90 Days	1 646 836	1 339 996
Payment received in advance	(11 450)	(17 531)
Total	**1 813 583**	**1 475 902**
(Other): Ageing		
Current (0 - 30 days)	581 862	7 116 176
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	788 724	719 813
Total	**1 370 585**	**7 835 990**
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	**6 435 725**	**2 470 466**
Contribution to provision	646 910	1 707 888
Transfer from Joe Gqabi District Municipality	-	2 257 372
Balance at end of year	**7 082 635**	**6 435 725**

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables		
Rates	4 871 371	4 141 745
R/D Cheques	900	10 499
Payments in advance	136 028	269 690
Total Service Receivables	**5 008 299**	**4 421 934**
Less: Allowance for Doubtful Debts	(4 065 461)	(3 379 814)
Net Service Receivables	**942 838**	**1 042 119**
Total Net Receivables from Non-Exchange Transactions	**942 838**	**1 042 119**

Refer to note for balances deferred beyond 12 months from year end

Ageing of Receivables from Non-Exchange Transactions	2011 R	2010 R
(Rates): Ageing		
Current (0 - 30 days)	61 077	61 261
31 - 60 Days	169 905	165 709
61 - 90 Days	144 454	208 847
+ 90 Days	4 631 963	3 975 618
Payment received in advance	(136 028)	(269 690)
Total	**4 871 371**	**4 141 745**

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
The ageing of amounts past due but not impaired is as follows			
2011			
1 month past due	506 863	30 830	537 693
2 + months past due	1 154 257	873 551	2 027 808
Total	**1 661 120**	**904 381**	**2 565 501**
2010			
1 month past due	324 416	21 725	346 141
2 + months past due	1 182 114	976 222	2 158 336
Total	**1 506 531**	**997 947**	**2 504 477**

All Non-Government debtors were either specifically impaired or subject to collective impairment

Trade and other receivables impaired

2011

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	7 082 635	4 065 461	11 148 096

2010

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	6 435 725	3 379 814	9 815 540

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%
The fair value of trade and other receivables approximates their carrying amounts

Reconciliation of the Total doubtful debt provisior	2011 R	2010 R
Balance at beginning of the year	3 379 814	2 755 731
Contributions to provision	685 647	624 083
Balance at end of year	**4 065 461**	**3 379 814**

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

		2011 R	2010 R
21	**OPERATING LEASE ARRANGEMENTS**		
21.1	**The Municipality as Lessee**		
	Balance on 1 July	7 658	9 889
	Movement during the year	(3 793)	(2 231)
	Balance on 30 June	**3 865**	**7 658**
	At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
	Up to 1 Year	20 421	39 457
	1 to 5 Years	14 321	34 742
	More than 5 Years	-	-
	Total Operating Lease Arrangements	**34 742**	**74 198**
21.2	**The Municipality as Lessor**		
	Balance on 1 July	9 770	42 453
	Correction on Operating Lease Asset Opening balance - Note 37.11		(40 189)
	Restated Balance on 1 July	9 770	2 263
	Operating Lease Asset for the current year	23 556	7 507
	Balance previously reported		7 976
	Correction on Operating Lease Asset Movement for 2009/2010 - Note 37.11		(469)
	Balance on 30 June	**33 327**	**9 770**
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	312 819	166 069
	1 to 5 Years	625 713	130 256
	More than 5 Years	-	-
	Total Operating Lease Arrangements	**938 531**	**296 325**
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for pervious ranging until 201		
22	**CASH AND CASH EQUIVALENTS**		
	Assets		
	Call and short-term Investments Deposits	113 870 357	65 866 566
	Primary Bank Account	2 275 326	404 461
	Cash Floats	900	900
	Total Cash and Cash Equivalents - Assets	**116 146 583**	**66 271 927**
	The municipality has the following bank account:		
	Current Accounts		
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8	2 275 326	404 461
		2 275 326	**404 461**
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8		
	Cash book balance at beginning of year	404 461	2 011 290
	Cash book balance at end of year	2 275 326	404 461
	Bank statement balance at beginning of year	357 219	1 966 292
	Bank statement balance at end of year	2 156 859	357 219

		2011 R	2010 R
	Call Investment Deposits		
	Call investment deposits consist out of the following accounts:		
	Standard Bank 388489162/0	56 706 989	11 984 449
	Standard Bank 388489731/0	51 024 339	48 062 841
	Standard Bank 388486066/0	6 139 029	5 819 276
		113 870 357	65 866 566
23	**PROPERTY RATES**		
	Actual		
	Rateable Land and Buildings	5 173 032	4 789 844
	Residential Property	1 556 743	1 441 429
	Commercial Property	725 983	672 207
	Agricultural Purposes	1 736 561	1 607 927
	State - National / Provincial Services	188 780	174 796
	Vacant Property	964 965	893 486
	Less: Rebates	(975 780)	(852 247)
	Total Assessment Rates	**4 197 252**	**3 937 597**
	Valuations - 1 JULY 2010		
	Rateable Land and Buildings	1 701 411 110	1 784 738 000
	Residential Property	263 756 500	264 394 000
	Commercial Property	103 005 000	101 849 500
	Public Benefits Organisations	10 018 000	17 906 000
	Agricultural Purposes	1 155 215 110	1 155 215 100
	State - National / Provincial Services	31 781 000	31 781 000
	Municipal Property	56 431 500	132 366 400
	Vacant Property	81 204 000	81 226 000
	Total Assessment Rates	**1 701 411 110**	**1 784 738 000**
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.		
	Rates:		
	Residential	0.594c/R	0.55c/R
	Commercial	0.7128c/R	0.66c/R
	Agricultural	0.1485c/R	0.1375c/R
	State - National / Provincial Services	0.594c/R	0.55c/R
	Vacant Property	1.00c/R	1.10c/R
	Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2009.		
	Rates are levied monthly and payable by the end of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.		

		2011 R	2010 R
24	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Unconditional Grants	**66 492 733**	**54 621 205**
	Equitable Share - Refer to Note 24.01	66 492 733	54 621 205
	Conditional Grants	**51 479 092**	**39 493 466**
	National: Municipal Infrastructure Grant (MIG)	15 474 325	20 729 642
	National: Municipal Finance Management (MFMA)	1 688 259	890 491.46
	National: Municipal Systems Improvement Grant	713 680	585 101
	National: Neighbourhood Development Partnership Grant	3 803 603	-
	National: Expanded Public Works Program	1 088 000	-
	Performance Agreements	-	41 330
	Holo Hlahatsi Agricultural Project	-	266 218
	Surveying / Land Audit	-	580 994
	LED (Lady Grey)	-	1 941
	Prov Gov - Housing (Lady Grey)	365 520	137 720
	Prov Gov - Housing (Hillside)	9 606 620	12 588 808
	Disabled Project BE	-	4 483
	Implementation Ownership	135 270	171 332
	Traffic Test Station (Sterkspruit)	104 879	-
	Rossouw Agricultural Project	-	130 767
	Herschel People's Housing	-	169 632
	I.E.C - Elections	750 000	-
	Plastic Products	1 203 967	2 275 986
	Provincial Roads (Musong Road)	15 591 452	-
	Greenest Municipality	200 000	-
	Commonage Management Plan	1 725	345
	Municipal Support Programme	21 792	165 671
	Joe Gqabi DM - District Call Centre	-	123 004
	Joe Gqabi DM - Community Participation	-	226 000
	Joe Gqabi DM - IDP	50 000	-
	Tourism	20 000	200 000
	Ward Committees	-	204 000
	Libraries	660 000	-
	Total Government Grants and Subsidies	**117 971 825**	**94 114 671**
	Government Grants and Subsidies - Capital	41 478 066	34 378 128
	Government Grants and Subsidies - Operating	76 493 759	59 736 542
		117 971 825	**94 114 671**
	Balance previously reported		94 662 511
	Less: Discontinued Operations (Health) - Note 36		(547 840)
	Restated balance		94 114 671

The municipality does not expect any significant changes to the level of grants. No grants had been withheld

24.01	**Equitable share**	**66 492 733**	**54 621 205**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

24.02	***National: Municipal Infrastructure Grant (MIG)***		
	Balance unspent at beginning of year	(1 821)	3 080 821
	Current year receipts	15 209 000	17 647 000
	Conditions met - transferred to revenue	(15 474 325)	(20 729 642)
	Balance transferred to current (assets)/liabilities	**(267 146)**	**(1 821)**

Municipal Infrastructure grant was used to construct roads, pavement, community centres and strormwater channels in Senqu.

		2011 R	2010 R
24.03	***National: Municipal Finance Management (MFMA)***		
	Balance unspent at beginning of year	433 836	324 328
	Current year receipts	1 200 000	1 000 000
	Conditions met - transferred to revenue	(1 688 259)	(890 491)
	Balance transferred to current (assets)/liabilities	**(54 422)**	**433 836**
	Municipal Finance Management grant was used to implement the reforms of the MFMA		
24.04	***National: Municipal Systems Improvement Grant***		
	Balance unspent at beginning of year	(36 320)	311 451
	Current year receipts	750 000	237 330
	Conditions met - transferred to revenue	(713 680)	(585 101)
	Balance transferred to current (assets)/liabilities	**-**	**(36 320)**
	The MSIG was used to improve municipal systems in terms of ward committees and create a functional asset register.		
24.05	***National: Neighbourhood Development Partnership Grant***		
	Balance unspent at beginning of year	-	-
	Current year receipts	11 000 000	-
	Conditions met - transferred to revenue	(3 803 603)	-
	Balance transferred to current (assets)/liabilities	**7 196 397**	**-**
	The NDPG is received to to attract private and community investment to unlock the social and economic potential within the Senqu area.		
24.06	***National: Expanded Public Works Program***		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 088 000	-
	Conditions met - transferred to revenue	(1 088 000)	-
	Balance transferred to current (assets)/liabilities	**-**	**-**
	The EPWP is received to provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities.		
24.07	***Performance Agreements***		
	Balance unspent at beginning of year	-	41 330
	Conditions met - transferred to revenue	-	(41 330)
	Balance transferred to current (assets)/liabilities	**-**	**-**
	The grant was used for the drafting of performance agreements for Section 57 and Middle Managers.		
24.08	***Peach & Vegetable Processing***		
	Balance unspent at beginning of year	8 302	8 302
	Conditions met - transferred to revenue	-	-
	Balance transferred to current (assets)/liabilities	**8 302**	**8 302**
	Local Economic Development project for Peach and Vegetable processing.		
24.09	***Holo Hlahatsi Agricultural Project***		
	Balance unspent at beginning of year	104 517	370 734
	Conditions met - transferred to revenue	-	(266 218)
	Balance transferred to current (assets)/liabilities	**104 517**	**104 517**
	Local Economic Development project for Holo Hlahatsi Agricultural project.		

		2011 R	2010 R
24.1	***Surveying / Land Audit and Sterkspruit Land Audit***		
	Balance unspent at beginning of year	-	580 994
	Conditions met - transferred to revenue	-	(580 994)
	Balance transferred to current (assets)/liabilities	**-**	**-**
	The grant was used to conduct a land audit to establish the suitability for the proposed housing projects		
24.11	***Heritage Management***		
	Balance unspent at beginning of year	229 912	229 912
	Transfered to Joe Gqabi District Municipality	(229 912)	
	Balance transferred to current (assets)/liabilities	**-**	**229 912**
	Local Economic Development project for Heritage management.		
24.12	***DEAT Brickmaking***		
	Balance unspent at beginning of year	-	(24 238)
	Current year receipts	-	24 238
	Balance transferred to current (assets)/liabilities	**-**	**-**
	Local Economic Development project for DEAT Brickmaking.		
24.13	***Co-op's Development***		
	Balance unspent at beginning of year	2 993	2 993
	Conditions met - transferred to revenue	-	-
	Balance transferred to current (assets)/liabilities	**2 993**	**2 993**
	Local Economic Development project for Co-op's development.		
24.14	***LED (Lady Grey)***		
	Balance unspent at beginning of year	-	1 941
	Conditions met - transferred to revenue	-	(1 941)
	Balance transferred to current (assets)/liabilities	**-**	**-**
	Local Economic Development project in Lady Grey.		
24.15	***Prov Gov - Housing (Lady Grey)***		
	Balance unspent at beginning of year	1 984 417	1 544 981
	Current year receipts	-	577 157
	Conditions met - transferred to revenue	(365 520)	(137 720)
	Balance transferred to current (assets)/liabilities	**1 618 897**	**1 984 417**
	Grant received from Provincial Government for housing projects.		
24.16	***Prov Gov - Housing (Hillside)***		
	Balance unspent at beginning of year	446 773	(167 243)
	Current year receipts	10 440 679	13 202 824
	Conditions met - transferred to revenue	(9 606 620)	(12 588 808)
	Balance transferred to current (assets)/liabilities	**1 280 832**	**446 773**
	Grant received from Provincial Government for housing projects.		

		2011 R	2010 R
24.17	***Disabled Project BE***		
	Balance unspent at beginning of year	-	4 483
	Conditions met - transferred to revenue	-	(4 483)
	Balance transferred to current (assets)/liabilities	**-**	**-**
	Local Economic Development project for disabled project in Barkly-East.		
24.18	***Implementation Ownership***		
	Balance unspent at beginning of year	233 546	404 878
	Conditions met - transferred to revenue	(135 270)	(171 332)
	Balance transferred to current (assets)/liabilities	**98 276**	**233 546**
	Grant was used to transfer ownership from council to owners. (Registering of title deeds.)		
24.19	***Traffic Test Station (Sterkspruit)***		
	Balance unspent at beginning of year	104 879	104 879
	Conditions met - transferred to revenue	(104 879)	-
	Balance transferred to current (assets)/liabilities	**-**	**104 879**
	Grant was used to establish a traffic station in Sterkspruit.		
24.2	***Rossouw Agricultural Project***		
	Balance unspent at beginning of year	92 811	223 578
	Conditions met - transferred to revenue	-	(130 767)
	Balance transferred to current (assets)/liabilities	**92 811**	**92 811**
	Local Economic Development project for Rossouw Agricultural Project.		
24.21	***Herschel People's Housing***		
	Balance unspent at beginning of year	6 774 561	6 578 613
	Current year receipts - Interest	319 752	365 580
	Conditions met - transferred to revenue	-	(169 632)
	Balance transferred to current (assets)/liabilities	**7 094 314**	**6 774 561**
	Grant received from Provincial Government for housing projects.		
24.22	***Internet/Communication Systems***		
	Balance unspent at beginning of year	84 131	84 131
	Conditions met - transferred to revenue	-	-
	Balance transferred to current (assets)/liabilities	**84 131**	**84 131**
	Establish to comply with the MFMA with regards to all information technology requirements mentioned in the act.		
24.23	***I.E.C - Elections***		
	Balance unspent at beginning of year	-	-
	Current year receipts	750 000	-
	Conditions met - transferred to revenue	(750 000)	-
	Balance transferred to current (assets)/liabilities	**-**	**-**
	Grant was used for I.E.C elections.		

		2011 R	2010 R
24.24	***Health Subsidy***		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	547 840
	Conditions met - transferred to discontinued operations	-	(547 840)
	Balance transferred to current (assets)/liabilities	**-**	**-**

Subsidy received for clinic operations/services. The function was transferred to the Eastern Cape Provincial Department of Health in January 2011.

24.25	***Plastic Products***		
	Balance unspent at beginning of year	1 410 047	2 319 298
	Current year receipts	-	1 366 735
	Conditions met - transferred to revenue	(1 203 967)	(2 275 986)
	Balance transferred to current (assets)/liabilities	**206 080**	**1 410 047**

Local Economic Development project for plastic products.

24.26	***Provincial Roads (Musong Road)***		
	Balance unspent at beginning of year	-	-
	Current year receipts	20 985 990	-
	Conditions met - transferred to revenue	(15 591 452)	-
	Balance transferred to current (assets)/liabilities	**5 394 538**	**-**

The grant was received to upgrade municipal roads in the area.

24.27	***Greenest Municipality***		
	Balance unspent at beginning of year	-	-
	Current year receipts	200 000	-
	Conditions met - transferred to revenue	(200 000)	-
	Balance transferred to current (assets)/liabilities	**-**	**-**

The grant is received for working towards the goal of 'greening' the environment as well as proactively preserving it for future generations.

24.28	***Small Town***		
	Balance unspent at beginning of year	-	-
	Current year receipts	100 489	-
	Conditions met - transferred to revenue	-	-
	Balance transferred to current (assets)/liabilities	**100 489**	**-**

Grant is received to improve planning in the Senqu area.

24.29	***Commonage Management Plan***		
	Balance unspent at beginning of year	59 781	60 126
	Conditions met - transferred to revenue	(1 725)	(345)
	Balance transferred to current (assets)/liabilities	**58 056**	**59 781**

Local Economic Development project for Commonage Management Plan.

24.30	***Municipal Support Programme***		
	Balance unspent at beginning of year	83 650	249 321
	Conditions met - transferred to revenue	(21 792)	(165 671)
	Balance transferred to current (assets)/liabilities	**61 858**	**83 650**

Grant was used to improve internal controls in the municipality.

		2011 R	2010 R
24.31	***Joe Gqabi DM - District Call Centre***		
	Balance unspent at beginning of year	87 383	210 388
	Conditions met - transferred to revenue	-	(123 004)
	Balance transferred to current (assets)/liabilities	**87 383**	**87 383**
	Grant received from District Municipality for a call centre for Senqu		
24.32	***Joe Gqabi DM - Community Participation***		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	226 000
	Conditions met - transferred to revenue	-	(226 000)
	Balance transferred to current (assets)/liabilities	**-**	**-**
	Local Economic Development project for Community Participation.		
24.33	***Joe Gqabi DM - IDP***		
	Balance unspent at beginning of year	-	-
	Current year receipts	50 000	-
	Conditions met - transferred to revenue	(50 000)	-
	Balance transferred to current (assets)/liabilities	**-**	**-**
	Grant received from District Municipality to assist with compilation of IDP		
24.34	***Tourism***		
	Balance unspent at beginning of year	-	-
	Current year receipts	20 000	200 000
	Conditions met - transferred to revenue	(20 000)	(200 000)
	Balance transferred to current (assets)/liabilities	**-**	**-**
	Local Economic Development project for Tourism.		
24.35	***Ward Committees***		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	204 000
	Conditions met - transferred to revenue	-	(204 000)
	Balance transferred to current (assets)/liabilities	**-**	**-**
	Ward Committees grant is part of the MSIG.		
24.36	***Libraries***		
	Balance unspent at beginning of year	-	-
	Current year receipts	660 000	-
	Conditions met - transferred to revenue	(660 000)	-
	Balance transferred to current (assets)/liabilities	**-**	**-**
	The grant was received for the upkeeping and operational cost for libraries		

		2011 R	2010 R
25	**SERVICE CHARGES**		
	Electricity	**13 288 831**	**7 887 613**
	Service Charges	16 402 961	11 008 580
	Less: Rebates	(3 114 130)	(3 120 967)
	Water	**1 871 804**	**1 757 739**
	Service Charges	3 055 719	2 850 836
	Less: Rebates	(1 183 915)	(1 093 097)
	Refuse removal	**1 774 805**	**1 625 960**
	Service Charges	4 526 430	4 024 760
	Less: Rebates	(2 751 625)	(2 398 800)
	Sewerage	**918 380**	**764 950**
	Service Charges	3 061 597	2 488 954
	Less: Rebates	(2 143 217)	(1 724 004)
	Other Service Charges		-
	Total Service Charges	**17 853 820**	**12 036 262**

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

26	**WATER SERVICES AUTHORITY CONTRIBUTION**		
	Joe Gqabi District Municipality - Water and Sewerage functions	9 286 090	6 760 616
		9 286 090	**6 760 616**

A new agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the municipality. Prior to that date the municipality acted as an agent for the Joe Gqabi District Municipality.

27	**OTHER INCOME**		
	Sundry Income	391 151	250 961
	Building Plan & Inspection Fees	10 861	5 028
	Road Worthy's	-	1 338
	Electr. Re-Connection Fees	58 890	48 588
	Cemetery Fees	13 632	21 258
	Pound Fees	25 290	29 270
	Recovery of Fruitless expenditure	-	4 682
	Total Other Income	**499 824**	**361 125**

28	**EMPLOYEE RELATED COSTS**		
	Employee related costs - Salaries and Wages	23 436 149	19 924 487
	Employee related costs - Contributions for UIF, pensions and medical aids	4 350 568	3 351 154
	Travel, motor car, telephone, assistance and other allowances	81 910	71 900
	Bonuses	3 403 630	2 471 636
	Housing Benefits and Allowances	24 000	28 278
	Leave Reserve Fund	444 976	752 671
	Overtime Payments	976 335	808 334
	Workmens Compensation Contributions	381 717	547 028
	Contribution to provision - Long Service Awards - Note 4	149 414	145 637
	Contribution to provision - Post Retirement Medical - Note 4	1 484 246	1 281 909
	Total Employee Related Costs	**34 732 945**	**29 383 034**
	Balance previously reported		29 794 492
	Less: Discontinued Operations (Health) - Note 36		(411 458)
	Restated balance		29 383 034

KEY MANAGEMENT PERSONNEL

Key mangement personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL	2011 R	2010 R
Remuneration of the Municipal Manager		
Annual Remuneration	1 271 322	896 465
Performance Bonuses	338 443	168 883
Car Allowance	82 800	82 800
Telephone allowance	18 000	18 000

Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**1 712 062**	**1 167 645**
Remuneration of the Director Technical Services		
Annual Remuneration	823 251	790 827
Performance Bonuses	330 723	102 288
Car Allowance	93 600	93 600
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**1 261 071**	**1 000 212**
Remuneration of Director Community and Social Services		
Annual Remuneration	682 360	626 009
Performance Bonuses	134 782	27 850
Car Allowance	48 000	48 000
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**878 640**	**715 356**
Remuneration of the Director Financial Services		
Annual Remuneration	981 802	898 978
Performance Bonuses	265 772	154 572
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**1 261 071**	**1 067 047**
Remuneration of Director Corporate and Support Services		
Annual Remuneration	683 863	674 009
Performance Bonuses	195 346	-
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**892 706**	**687 506**
Remuneration of Director IPME		
Annual Remuneration	669 569	-
Performance Bonuses (Housing)	330 723	-
Telephone allowance	11 000	-
Car Allowance	66 900	-
Contributions to UIF, Medical and Pension Funds	1 497	-
Total	**1 079 689**	**-**

29 REMUNERATION OF COUNCILLORS

Mayor	691 602	569 842
Speaker	582 592	459 285
Executive Committee Members	1 335 346	1 193 310
Councillors	4 448 532	4 407 036
Other Councillors' contributions and allowances	100 851	177 390
Total Councillors' Remuneration	**7 158 923**	**6 806 863**

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
Signed: Municipal Manager

30 DEBT IMPAIRMENT

	2011 R	2010 R
Trade Receivables from exchange transactions - Note 19	646 910	1 707 888
Trade Receivables from non-exchange transactions - Note 20	685 647	624 083
Total Contribution to Impairment Provision	**1 332 557**	**2 331 971**

31 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	10 618 957	8 276 468
Balance previously reported		-
Depreciation on PPE for 2009/2010 previously not regocnised - Note 37.04		8 276 468

	Intangible Assets	102 240	76 311
	Balance previously reported		-
	Depreciation on Intangible Assets for 2009/2010 previously not regocnised - Note 37.06		76 311
	Capitalised Restoration Cost	80 498	80 498
	Balance previously reported		-
	First time recognition of Depreciation on Capitalised Restoration Cost - Note 37.01		80 498
		10 801 695	**8 433 277**
32	**FINANCE CHARGES**		
	Long-term Liabilities - DBSA	979 251	132 241
	Balance previously reported		28 865
	First time recognition of DBSA interest accrual - Note 37.14		103 375
	Finance leases	5 305	-
	Landfill Site	586 100	548 586
	Balance previously reported		-
	First time recognition of Landfill Site interest cost - Note 37.07		548 586
	Total finance charges	**1 570 656**	**680 827**
33	**BULK PURCHASES**		
	Electricity	12 494 708	10 327 738
	Total Bulk Purchases	**12 494 708**	**10 327 738**
34	**GRANTS AND SUBSIDIES**		
	Grants-in-aid and Donations	798 812	397 058
	Total Grants and Subsidies	**798 812**	**397 058**
35	**GENERAL EXPENSES**		
	Audit Fees	1 848 852	1 152 278
	Books, Magazines & Publications	112 319	256 453
	Computer Costs	214 022	49 998
	Electricity Purhases	1 640 715	741 603
	Insurance: External	253 970	202 937
	Legal Costs	259 891	91 035
	Membership Fees	210 028	189 311
	Printing & Stationary	280 674	417 086
	Professional Services	825 942	1 064 784
	Refuse Removal	842 326	871 502
	Subsistence & Traveling	2 083 522	2 150 154
	Telephone Charges	504 865	471 885
	Tourism	272 786	175 624
	Training	320 297	346 606
	Travel and Accomodation	1 440 904	390 774
	Vehicle: Fuel & Oil	1 711 982	1 498 528
	Ward Committees	279 730	389 327
	Water Purification	207 835	244 013
	Sundry	1 858 182	1 625 180
	General Expenses	**15 170 399**	**12 329 077**

		2010 R
	Balance previously reported	12 348 444
	Less: Discontinued Operations (Health) - Note 36	(86 561)
	Restated balance	12 261 883

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

		2011 R	2010 R
36	**DISCONTINUED OPERATIONS (HEALTH)**		
	The Health function was transferred to the Eastern Cape Provincial Depratment of Health in January 2011. Details of the Discontinued Operations are listed below:		
	Income		
	Government Grants and Subsidies - Operating	263 338	547 840
	Expenditure		
	Employee Related Costs	(260 176)	(411 458)
	Repairs and Maintenance	(4 680)	(17)
	General Expenses	(52 415)	(86 561)
	Profit/Loss on Disposal of Assets	(17 460)	
	Total effect of Discontinued Operations	**(71 394)**	**49 804**
	The effect of Discontinued Operations on the cashflow is as follows:		
	Changes in Operating Activities	(71 394)	49 804
	Changes in Investing Activities	-	-
	Changes in Financing Activities	-	-
		(71 394)	49 804

		2010 R
37	**CORRECTION OF ERROR IN TERMS OF GRAP 3**	
	The municipality utilised the Transitional Provisions in Directive 4, issued by the Accounting Standards Board, in prior years. Information for the measurement of the applicable items for wich the Transitional Provisions were utilised was since obtained and now restated retrospectively. In addition certain errors were detected wich relates to prior years and were also restated retrospectivly. The effects of these restatements are listed below.	
37.01	**Capitalised Restoration Cost**	
	Balance previously reported	**-**
	First time recognition of Capitalised Restoration Cost - At Cost- Note 13	2 120 286
	First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 13	(321 991)
	Recognition of Depreciation for 2009/2010 - Note 13	(80 498)
	Total	**1 717 797**
37.02	**Payables from exchange transactions**	
	Balance previously reported	**1 077 649**
	First time recognition of Retention - Note 9	142 831
	Interest Accrued previously not recognised - Note 9	103 375
	Total	**1 323 855**
37.03	**Taxes**	
	Balance previously reported	**9 162 052**
	Correction on opening balance for VAT incorrectly capitalised - Note 37.04	12 075
	Correction of VAT capitalised for 2009/2010 - Note 37.04	55 457
	VAT claims disallowed by SARS for 2009/2010 - Note - 37.14	(190 789)
	Total	**9 038 796**

		2010 R
37.04	**Property, Plant and Equipment**	
	Balance previously reported	**164 353 040**
	Inventory incorrectly classified as Property, Plant and Equipment in prior year - Note 37.09	(483 772)
	Correction on opening balance for VAT incorrectly capitalised - Note 37.03	(12 075)
	Reallocation of notice fees - Note 37.13	(7 360)
	VAT incorrectly capitalised 2009/2010 - Note 37.04	(55 457)
	Retentions previously not capitalised - Note 37.02	142 831
	PPE previously not recognised - 1 July 2009 - Note 37.13	371 834
	Corrections on PPE due to implementation of Directive 7 - 2009/2010 movement - Note 37.14	123 595
	Asset disposal previously not recognised - at cost - Note 37.14	(194 540)
	Asset disposal depreciation previously not recognised - Note 37.14	602 295
	Derecognise PPE due to implementation of Directive 7 - Opening balance - Note 37.13	(32 163 783)
	Restructuring of Land and Buildings - at fair value - Note 37.13	27 015 000
	Revaluation increase on land and buildings - 2009/2010 - Note 37.12	566 134
	Backlog Depreciation recognised for the first time - 1 July 2009 - Note 37.13	(28 719 932)
	Depreciation on PPE for 2009/2010 recognised - Note 37.14	(8 276 468)
	Total	**123 261 343**
37.05	**Investment Property**	
	Balance previously reported	**-**
	Restructuring of Investment Property register - at fair value - Note 37.13	12 548 500
	Total	**12 548 500**
37.06	**Intangible Assets**	
	Balance previously reported	501 262
	Corrections on opening balance of Intangible assets due to implementation of Directive 7 - Note 37.13	1 111
	Depreciation previously not recognised on disposals - Note 16	1 494
	Backlog Depreciation recognised for the first time - 1 July 2009 - Note 37.13	(107 171)
	Depreciation on Intangible assets for 2009/2010 recognised - Note 37.14	(76 311)
	Total	**320 385**
37.07	**Non-current Provisions**	
	Balance previously reported	**-**
	First time recognition of Landfill Site Provision - Derecognised Assets - Note 37.13	5 304 099
	First time recognition of Landfill Site Provision - Recognised Assets - Note 37.01	2 120 286
	Recognition of Interest Cost on Non-current Provisions up to 30 June 2009 - Note 37.14	607 391
	Recognition of Interest Cost on Non-current Provisions for 2009/2010 - Note 37.13	548 586
	Less: Transferred to current portion - Note 37.08	(5 675 386)
	Total	**2 904 976**
37.08	**Provisions**	
	Balance previously reported	**-**
	Current portion of Landfill sites transferred from Non-current Provision - Note 37.07	5 675 386
	Total	**5 675 386**
37.09	**Inventory**	
	Balance previously reported	**-**
	Inventory incorrectly classified as Property, Plant and Equipment in prior year - Note 37.04	483 772
	Restructuring of Inventory - Land held for sale - at fair value - Note 37.13	3 232 900
	Total	**3 716 672**
37.1	**Receivables From Exchange Transactions**	
	Balance previously reported	**16 355 801**
	Reversal of 2008/2009 Agency Fee balance represented by the Nett difference in debtors and impairment provision - Note 37.13	183 564
	Total	**16 539 365**

		2010 R
37.11	**Operating Lease Asset**	
	Balance previously reported	**50 429**
	Correction on Operating Lease Asset Opening balance - Note 37.13	(40 189)
	Correction on Operating Lease Asset movement for 2009/2010 - Note 37.14	(469)
	Total	**9 770**
37.12	**Revaluation Reserve**	
	Balance previously reported	**-**
	Revaluation Increase on Land and Buildings - 2009/2010 - Note 37.04	566 134
	Total	**566 134**
37.13	**Accumulated Surplus/(Deficit)**	
	First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 37.01	(321 991)
	First time recognition of Landfill Site Provision - Derecognised Assets - Note 37.07	(5 304 099)
	Recognition of Interest Cost on Non-current Provisions up to 30 June 2009 - Note 37.07	(607 391)
	Reversal of 2008/2009 Agency Fee balance represented by the Nett difference in debtors and impairment provision - Note 37.1	183 564
	Reallocation of notice fees - Note 37.04	(7 360)
	PPE previously not recognised - 1 July 2009 - Note 37.04	371 834
	Intangible Assets previously not recognised and measured - 1 July 2009 - Note 37.06	1 111
	Backlog Depreciation on PPE recognised for the first time - 1 July 2009 - Note 37.04	(28 719 932)
	Backlog Depreciation on Intangible assets recognised for the first time - 1 July 2009 - Note 37.06	(107 171)
	Derecognise PPE due to implementation of Directive 7 - Opening balance - Note 37.04	(32 163 783)
	Restructuring of Land and Buildings - at fair value - Note 37.04	27 015 000
	Restructuring of Investment Property register - at fair value - Note 37.05	12 548 500
	Restructuring of Inventory - Land held for sale - at fair value - Note 37.09	3 232 900
	Correction on Operating Lease Asset Opening balance - Note 37.11	(40 189)
	Total	**(23 919 007)**
37.14	**Statement of Financial Performance**	
	Balance previously reported	**40 665 998**
	Recognition of Depreciation for 2009/2010 - Note 37.01	(80 498)
	Recognition of Interest Cost on Non-current Provisions for 2009/2010 - Note 37.07	(548 586)
	Interest Accrued previously not recognised - Note 37.02	(103 375)
	VAT claims disallowed by SARS for 2009/2010 - Note - 37.03	(190 789)
	Gain on disposal previously not recognised - at cost - Note 37.04	407 755
	Depreciation on PPE for 2009/2010 recognised - Note 37.04	(8 276 468)
	Depreciation on Intangible Assets for 2009/2010 recognised - Note 37.06	(76 311)
	Depreciation previously not recognised on disposals of Intangible Assets - Note 37.06	1 494
	Corrections on PPE due to implementation of Directive 7 - 2009/2010 movement - Note 37.04	123 595
	Correction on operating lease asset movement for 2009/2010 - Note 37.11	(469)
	Total	**31 922 346**

		2011 R	2010 R
38	**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**		
	Surplus/(Deficit) for the year - From Continuing Operations	36 228 226	31 872 542
	Adjustments for:		
	Depreciation	10 801 695	8 433 277
	Loss on disposal of property, plant and equipment	458 428	2 449 699
	Gain on disposal of property, plant and equipment	-	(409 249)
	Contribution from/to employee benefits - non-current	1 633 660	1 427 546
	Contribution from/to employee benefits - non-current - expenditure incurred	(117 421)	(338 077)
	Contribution from/to employee benefits - non-current - actuarial losses	(583 658)	-
	Contribution from/to employee benefits - non-current - actuarial gains	-	428 520
	Contribution to employee benefits – current	2 787 303	1 992 641
	Contribution to employee benefits – current - expenditure incurred	(2 416 181)	(1 163 311)
	Contribution to provisions – current	586 100	548 586
	Contribution to provisions – bad debt	1 332 557	2 331 971
	Contribution to provisions – bad debt transfer from Joe Gqabi District Municipality	-	2 257 372
	Operating lease income accrued	(23 556)	(7 507)
	Operating lease expenses accrued	(3 793)	(2 231)
	Operating Surplus/(Deficit) before discontinued operations and changes in working capita	50 683 360	49 821 779
	Surplus/(Deficit) for the year from Discontinued Operations - Note 36	(71 394)	49 804
	Operating Surplus/(Deficit) before changes in working capital	50 611 966	49 871 583
	Changes in working capital	22 181 807	(17 506 335)
	Increase in Payables for Exchange Transactions	612 233	678 216
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	11 348 335	(4 595 941)
	Increase/(Decrease) in Taxes	7 547 886	(6 472 747)
	(Increase)/Decrease in Inventory	(1 437 182)	(483 772)
	(Increase)/Decrease in Receivables from exchange transactions	4 980 328	(6 032 042)
	Increase in Other Receivables from non-exchange transactions	(586 366)	(753 389)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(283 427)	153 340
	Cash generated/(absorbed) by operations	**72 793 773**	**32 365 248**
39	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 22	113 870 357	65 866 566
	Cash Floats - Note 22	900	900
	Bank - Note 22	2 275 326	404 461
	Total cash and cash equivalents	**116 146 583**	**66 271 927**
40	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - Note 39	116 146 583	66 271 927
		116 146 583	66 271 927
	Less:	23 168 306	12 103 399
	Unspent Committed Conditional Grants - Note 10	23 168 306	12 103 399
	Net cash resources available for internal distribution	92 978 277	54 168 529
	Allocated to:		
	Capital Replacement Reserve	56 463 739	39 964 908
	Valuation Roll Reserve	689 618	-
	Employee Benefit Reserve	5 644 845	-
	Resources available for Woking capital requirements	**36 514 538**	**14 203 621**
41	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**		
	Long-term Liabilities - Note 3	16 481 236	8 336 579
	Used to finance property, plant and equipment - at cost	(16 481 236)	(8 336 579)
	Cash invested for repayment of long-term liabilities	**-**	**-**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 6.75 % and 8.92 % and will be repaid by 2030.

42 BUDGET COMPARISONS

42.1 Operational

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Revenue by source				
Property taxes	4 197 252	3 427 815	769 437	22%
Government Grants and Subsidies - Capital	41 478 066	18 248 550	23 229 516	127%
Government Grants and Subsidies - Operating	76 493 759	136 180 859	(59 687 100)	-44%
Fines	69 300	20 000	49 300	247%
Service Charges	17 853 820	17 576 330	277 490	2%
Water Services Authority Contribution	9 286 090	9 286 090	-	0%
Rental of Facilities and Equipment	375 048	211 000	164 048	78%
Interest Earned - external investments	4 915 084	4 800 000	115 084	2%
Interest Earned - outstanding debtors	1 136 907	923 080	213 827	23%
Licences and Permits	950 871	530 000	420 871	79%
Agency Services	462 566	479 000	(16 434)	-3%
Other Income	499 824	347 100	152 724	44%
Actuarial Gains	632 639	-	632 639	100%
	158 351 227	192 029 824	(33 678 597)	-18%
Expenditure by nature				
Employee related costs	(34 732 945)	(35 960 287)	1 227 342	-3%
Remuneration of Councillors	(7 158 923)	(7 161 105)	2 182	0%
Debt Impairment	(1 332 557)	(3 643 830)	2 311 273	-63%
Depreciation and Amortisation	(10 801 695)	(9 412 270)	(1 389 425)	15%
Repairs and Maintenance	(3 015 464)	(7 325 100)	4 309 636	-59%
Actuarial losses	(48 981)	-	(48 981)	100%
Finance Charges	(1 570 656)	(702 575)	(868 081)	124%
Bulk Purchases	(12 494 708)	(13 655 670)	1 160 962	-9%
Grants and Subsidies Paid	(798 812)	(800 000)	1 188	0%
Other Operating Grant Expenditure	(34 539 433)	(67 668 535)	33 129 102	-49%
General Expenses	(15 170 399)	(16 488 450)	1 318 051	-8%
Loss on disposal of PPE/Investment Property	(458 428)	-	(458 428)	100%
	(122 123 001)	(162 817 822)	41 153 249	-25%
Net Surplus for the year (Before Discontinued Operations)	**36 228 226**	**29 212 002**	**7 474 652**	**26%**
Discontinued Operations (Health)	(71 394)	**-**	(71 394)	100%
Net Surplus for the year (After Discontinued Operations)	**36 156 833**	**29 212 002**	**7 403 258**	**25%**

Details of material variances

Property taxes	22%	
Government Grants and Subsidies - Capital	127%	
Government Grants and Subsidies - Operating	-44%	
Fines	247%	
Rental of Facilities and Equipment	78%	
Interest Earned - outstanding debtors	23%	
Licences and Permits	79%	
Other Income	44%	
Actuarial Gains	100%	
Debt Impairment	-63%	
Depreciation and Amortisation	15%	
Repairs and Maintenance	-59%	
Actuarial losses	100%	
Finance Charges	124%	
Other Operating Grant Expenditure	-49%	
Loss on disposal of PPE/Investment Property	100%	
Discontinued Operations (Health)	100%	Service transferred to Department of Health

	2011 R	2010 R

Reconciliation of actual vs budget where the accounting treatment is different for the following variances

The following amounts in respect of rebates were budgeted as expenditure, but deducted from Service Charges in terms of Grap

	Actual	Budget
Electricity	(3 114 130)	(3 324 670)
Water	(1 183 915)	(1 356 750)
Sewerage	(2 143 217)	(2 141 030)
Refuse	(2 751 625)	(2 808 000)
General Expenses	9 192 887	9 630 450
	-	-

The following amounts in respect of rebates were budgeted as expenditure, but deducted from Property Rates Revenu

	Actual	Budget
Property Rates	(975 780)	(1 781 670)
General Expenses	975 780	1 781 670
	-	-

		2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
42.2	**Expenditure by Vote**				
	Executive & Council	14 735 911	15 880 362	(1 144 451)	-7%
	Planning & Development	8 577 200	20 806 755	(12 229 555)	-59%
	Corporate Services	3 630 386	4 458 470	(828 084)	-19%
	Housing	10 732 714	19 083 865	(8 351 151)	-44%
	Public Safety	4 991	5 900	(909)	-15%
	Budget & Treasury	7 091 819	8 038 930	(947 111)	-12%
	Road Transport	33 814 322	47 422 820	(13 608 498)	-29%
	Waste Water Management	5 910 479	7 472 560	(1 562 081)	-21%
	Water	5 867 382	6 238 265	(370 883)	-6%
	Electricity	18 733 513	19 322 725	(589 212)	-3%
	Community & Social Services	5 202 408	5 886 875	(684 467)	-12%
	Sport & Recreation	193 491	322 065	(128 574)	-40%
	Waste Management	7 628 385	7 277 550	350 835	5%
	Expenditure for the year (Before Discontinued Operations)	**122 123 001**	**162 217 142**	**(40 094 141)**	**-25%**
	Health (Discontinued Operation)	334 732	600 680	(265 948)	-44%
	Expenditure for the year (After Discontinued Operations)	**122 457 733**	**162 817 822**	**(40 360 089)**	**-25%**

Details of material variances

Planning & Development	-59%	Slow progress in Neighbourhood Development Partnership Project
Corporate Services	-19%	Depreciation overestimated
Housing	-44%	Land dispute effecting Herschel Housing Project
Public Safety	-15%	
Budget & Treasury	-12%	Rebate on rates disclosed as Income Foregone
Road Transport	-29%	Slow progress in Musong Road Project
Waste Water Management	-21%	Depreciation overestimated
Community & Social Services	-12%	Depreciation overestimated
Sport & Recreation	-40%	Depreciation overestimated
Health (Discontinued Operation)	-44%	Service transferred to Department of Health

		2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
42.3	**Capital expenditure by vote**				
	Executive & Council	1 288 607	1 549 520	(260 913)	-17%
	Planning & Development	1 071 111	1 265 000	(193 889)	-15%
	Corporate Services	9 546 448	10 147 680	(601 232)	-6%
	Budget & Treasury	778 594	784 130	(5 536)	-1%
	Road Transport	16 704 941	22 708 470	(6 003 529)	-26%
	Waste Water Management	-	3 091 305	(3 091 305)	-100%
	Electricity	2 228 567	4 355 000	(2 126 433)	-49%
	Community & Social Services	110 515	103 000	7 515	7%
	Sport & Recreation	-	514 960	(514 960)	-100%
	Waste Management	112 449	290 000	(177 551)	-61%
		31 841 232	**44 809 065**	**(12 967 833)**	**-29%**

Details of material variances

Executive & Council	-17%
Planning & Development	-15%
Road Transport	-26%
Waste Water Management	-100%
Electricity	-49%
Sport & Recreation	-100%
Waste Management	-61%

		2011 R	2010 R
43	**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**		
43.1	**Unauthorised expenditure**		
	Reconciliation of unauthorised expenditure:		
	Opening balance	1 961 270	2 309 697
	Unauthorised expenditure current year - capita	7 515	1 916 027
	Unauthorised expenditure current year - operating	350 835	45 243
	Approved by Council or condoned	(1 961 270)	(2 309 697)
	Unauthorised expenditure awaiting authorisation	**358 350**	**1 961 270**

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	*None*

43.2 Fruitless and wasteful expenditure

	2011 R	2010 R
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	2 775 221	5 539 071
Fruitless and wasteful expenditure current year	2 327 917	2 775 221
Recovery of Fruitless and Wasteful expenditure	-	(340 468)
Condoned or written off by Council	(2 775 221)	(5 198 603)
Fruitless and wasteful expenditure awaiting condonement	**2 327 917**	**2 775 221**

Incident		Disciplinary steps/criminal proceedings
Electricity losses higher than the norm 2010		*None - R 2 775 221*
Electricity losses higher than the norm 2011		*None - R 2 327 917*

43.3 Irregular expenditure

	2011 R	2010 R
Reconciliation of irregular expenditure:		
Opening balance	1 568 252	1 006 588
Irregular expenditure current year	-	1 568 252
Condoned or written off by Council	(1 568 252)	(1 006 588)
Irregular expenditure awaiting condonement	**-**	**1 568 252**

Incident	Disciplinary steps/criminal proceedings
Non-compliance with Supply Chain Management Policy	*None*

43.4 Material Losses

	2011 R	2010 R
Electricity distribution losses		
Kwh purchased	23 279 166	23 712 734
Kwh sold	17 717 358	13 213 378
Kwh losses	5 561 808	9 520 158
Kwh cost	0.5368	0.4355
% Losses - Notes 41	23.89%	40.15%
Amount of loss considered fruitless expenditure above a norm of average 10%	2 327 917	2 775 221

44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

44.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

	2011 R	2010 R
Opening balance	-	-
Council subscriptions	207 660	189 311
Amount paid - current year	(207 660)	(189 311)
Balance unpaid (included in creditors)	**-**	**-**

		2011 R	2010 R
44.2	**Audit fees - [MFMA 125 (1)(b)]**		
	Opening balance	4 272	-
	Current year audit fee	2 190 499	1 392 112
	Amount paid - current year	(2 177 870)	(1 387 840)
	Amount paid - previous year	(4 272)	-
	Balance unpaid (included in creditors)	**12 629**	**4 272**
44.3	**VAT - [MFMA 125 (1)(b)]**		
	Opening balance	(9 162 052)	(2 933 326)
	Amounts received - previous year	8 971 263	-
	Amounts received - current year	7 194 446	2 632 397
	Amounts claimed - current year (payable)	(9 357 983)	(11 186 762)
	Amount paid - previous year	-	2 325 639
	2009/2010 VAT claims dissallowed by SARS	190 789	-
	Closing balance Cr/(Dt)	**(2 163 537)**	**(9 162 052)**
	Vat in suspense due to cash basis of accounting	**64 993**	**641 175**

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS.
All VAT returns have been submitted by the due date throughout the year.

44.4	**PAYE, SDL and UIF - [MFMA 125 (1)(b)]**		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	5 910 190	4 869 668
	Amount paid - current year	(5 910 190)	(4 869 668)
	Balance unpaid	**-**	**-**
44.5	**Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]**		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	3 980 045	3 388 646
	Amount paid - current year	(3 980 045)	(3 388 646)
	Balance unpaid (included in creditors)	**-**	**-**

44.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

No Councillors had arrear accounts outstanding for more than 90 days during the year

Refer to Note 53.1 for outstanding accounts at year-end for Councillors

44.7 Quotations awarded - Supply Chain Management

No non-compliance with the Supply Chain Management Regulations were identified during the financial year

44.8 Reporting i.t.o Section 45 - Supply Chain Management Act

Bussiness were done with the following employee of the municipality with no influence in decision making

Staff Member	Entity		
D. Oertel	Mountain View Hotel	175 155.92	90 734

45 CAPITAL COMMITMENTS

	2011 R	2010 R
Commitments in respect of capital expenditure:		
Approved and contracted for:	44 367 376	20 297 898
Land & Buildings	51 486	12 021 353
Infrastructure	44 315 890	8 276 545
Total	**44 367 376**	**20 297 898**
This expenditure will be financed from:		
External Loans	-	3 663 421
Capital Replacement Reserve	13 707 641	12 022 465
Government Grants - MIG	18 091 590	4 612 012
Dept of Transport	12 568 145	-
	44 367 376	**20 297 898**

46 WORLD CUP EXPENDITURE

Expenditure on Soccer World Cup	-	48 215
Total	**-**	**48 215**

The municipality purchased t-shirts for the staff members to wear as part of their uniforms, in support of the World Cup. The total amount is included in General Expenditure - Note 35

47 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2010 - 0.5%) Increase in interest rates	498 322	289 672
0.5% (2010 - 0.5%) Decrease in interest rates	(498 322)	(289 672)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2011 %	2011 R	2010 %	2010 R
Non-Exchange Receivables				
Rates	100.00%	904 381	100.00%	997 947

Exchange Receivables				
Electricity	75.37%	1 251 904	67.42%	1 015 734
Water	6.09%	101 162.55	9.55%	143 853
Refuse	5.02%	83 428	9.65%	145 319
Sewerage	3.53%	58 662	3.94%	59 283
Other	9.99%	165 963	9.45%	142 342
	100.00%	1 661 120	100.00%	1 506 531

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows

	2011 %	2011 R	2010 %	2010 R
Non-Exchange Receivables				
Rates	100.00%	4 065 461	100.00%	3 379 814
Exchange Receivables				
Electricity	18.40%	1 303 289	24.19%	1 556 593
Water	23.73%	1 680 985	21.81%	1 403 807
Refuse	32.33%	2 289 797	28.84%	1 855 742
Sewerage	24.17%	1 712 038	21.73%	1 398 291
Other	1.36%	96 527	3.44%	221 293
	100.00%	7 082 635	100%	6 435 725

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although te credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows		
Long term receivables	13 695	30 435
Receivables from exchange transactions	4 476 402	10 103 640
Receivables from non-exchange transactions	136 928	280 189
Cash and Cash Equivalents	116 146 583	66 271 927
Unpaid conditional grants and subsidies	321 568	38 141
	121 095 176	76 724 332

(e) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities - Annuity Loans	1 988 898	7 449 473	8 173 071	11 640 410
Capital repayments	748 677	3 080 584	4 092 994	8 485 544
Interest	1 240 221	4 368 889	4 080 077	3 154 867
Long Term liabilities - Finance Leases	35 215	46 954	-	-
Capital repayments	29 500	43 938	-	-
Interest	5 715	3 015	-	-
Provisions - Landfill Sites	-	-	-	42 194 938.57
Capital repayments	-	-	-	9 166 462
Interest	-	-	-	33 028 477
Trade and Other Payables	957 297	-	-	-
Unspent conditional government grants and receipts	23 489 875	-	-	-
	26 471 285	7 496 426	8 173 071	53 835 349
2010				
Long Term liabilities	1 332 008	7 025 985	8 782 481	18 443 209
Capital repayments	173 998	1 674 061	3 012 798	12 139 143
Interest	1 158 010	5 351 924	5 769 683	6 304 066
Provisions - Landfill Sites	-	-	-	42 194 938.57
Capital repayments	-	-	-	8 580 361
Interest	-	-	-	33 614 577
Trade and Other Payables	452 398	-	-	-
Unspent conditional government grants and receipts	12 141 540	-	-	-
	13 925 946	7 025 985	8 782 481	60 638 148

48 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected bellow.

48.1 Financial Assets

	Classification		
Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	-	13 695
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	4 476 402	10 103 640
Receivables from non-exchange transactions	Financial instruments at amortised cost	136 928	280 189
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	321 568	38 141
Current Portion of Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	13 695	16 740
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	113 870 357	65 866 566
		2011 R	**2010 R**
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	2 275 326	404 461
Cash Floats and Advances	Financial instruments at amortised cost	900	900

			121 101 209	**76 730 362**
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		**121 101 209**	**76 730 362**
48.2	**Financial Liability**	**Classification**		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	15 659 121	8 162 581
	Capitalised Lease Liability	Financial instruments at amortised cost	43 938	-
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	578 241	451 648
	Deposits: Other	Financial instruments at amortised cost	8 787	750
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	23 489 875	12 141 540
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	748 677	173 998
	Capitalised Lease Liability	Financial instruments at amortised cost	29 500	-
			40 928 408	**21 073 348**
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		**40 928 408**	**21 073 348**

49 EVENTS AFTER THE REPORTING DATE

The Municipality did not have any material events after reporting date.

50 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

52 CONTINGENT LIABILITY

Council do not have any contingent liabilities at the end of the financial year 2010/11

53 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

53.1 Related Party Transactions

	Rates - Levied 1 Jul 10 - 30 Jun 11	Service Charges - Levied 1 Jul 10 - 30 Jun 11	Outstanding Balances 30 June 2011
Year ended 30 JUNE 2011			
Councillors	**7 614**	**94 162**	**25 160**
LJ Booi	-	2 312	205
MW Mpelwane	-	2 254	200
ZI Dumzela	2 583	19 264	2 819
AN Stanley	2 690	5 118	409
J Konstable	1 393	6 462	551
M Mafilika	-	2 362	200
MG Ncise	-	2 362	200
XM Ganamfana	-	2 360	200
M Eliya	-	2 362	200
CD Nyangintsimbi	181	9 078	908
N Y Mdalomba(mtyali)	571	13 368	13 939
IH Van Der Walt	-	228	228
B S Mjali	-	612	817
B J Pika (nr Nthako)	-	23 275	731
RM Joubert	126	1 453	1 578
N C Motemekwana	71	228	299
N Mfisa	-	858	858
BS Mjali	-	205	817
Municipal Manager and Section 57 Employees	**2 335**	**16 047**	**1 012**
R Crozier	2 335	13 685	812
ML Theron	-	2 362	200

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

53.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 17 to the Annual Financial Statements.

53.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

53.4 Other related party transactions

		2011	2010
The following purchases were made during the year where Councillors or Management have an interest:		R	R
Councillor/Staff Member	Entity		
Z I Dumzela	ZNR Civils (Spouse of Mayor is Director)	-	82 570
M A Theron	Lady Grey Joinery & Construction (Spouse is Director)	22 619	267 881

54 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

54.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:

	2010 R
Refuse tip-sites financed by way of a provision	**2 904 976**

		2010 R
54.2	**GRAP 17 - Property, Plant and Equipment**	
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008, in the previous financial year. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard.	
	Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:	
	Property, Plant and Equipment	(5 263 726)
	Accumulated depreciation on Property, Plant and Equipment	(35 827 971)
	Total not previously recognised now restated retrospectively	**(41 091 697)**
54.3	**GRAP 16 - Investment Properties**	
	The municipality did not measure Investment Properties in the past in terms of Directive 4, issued by the Accounting Standards Board.	
	Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:	
	Total not previously recognised now restated retrospectively	**12 548 500**
54.4	**GRAP 102 - Intangible Assets**	
	The municipality did not measure Intangible Assets in the past in terms of Directive 4, issued by the Accounting Standards Board.	
	Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:	
	Computer software;	1 111
	Accumulated amortisation on computer software	(181 988)
	Total not previously recognised now restated retrospectively	**(180 877)**
54.5	**GRAP 12 - Inventories**	
	The municipality did not measure the Inventory in the past in terms of Directive 4, issued by the Accounting Standards Board.	
	Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:	
	Electricity materials	483 772
	Land held for sale	3 232 900
		3 716 672

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Valu	Cost							Accumulated Depreciation						Carrying Value
	Opening Balance R	B/F Adjustments on Opening Balance Note 37.04	Restated Opening Balance	B/F Adjustments on movement for the year Note 37.04	Additions R	Disposals R	Closing Balance R	Opening Balance R	B/F Adjustments Note 37.04	Restated Opening Balance	Additions R	Disposals/Revaluation R	Closing Balance R	R
Land and Buildings	**35 018 710**	**-**	**35 018 710**	**-**	**9 308 761**	**-**	**44 327 471**	**-**	**-**	**-**	**278 279**	**278 279**	**-**	**44 327 471**
Land	8 156 500	-	8 156 500	-	-	-	8 156 500	-	-	-	278 279	278 279	-	8 156 500
Buildings	26 862 210	-	26 862 210	-	9 308 761	-	36 170 971	-	-	-	-	-	-	36 170 971
Infrastructure	**103 500 503**	**-**	**103 500 503**	**-**	**17 465 580**	**-**	**120 966 083**	**30 643 874**	**-**	**30 643 874**	**8 401 508**	**-**	**39 045 382**	**81 920 701**
Main: Roads	78 132 550	-	78 132 550	-	2 286 612	-	80 419 162	26 090 399	-	26 090 399	7 385 277	-	33 475 676	46 943 487
Main: Storm Water	16 095 974		16 095 974		13 647 802		29 743 776	1 830 609		1 830 609	744 939		2 575 549	27 168 227
Main: Waste Management	2 674 765	-	2 674 765	-	112 449	-	2 787 215	608 529	-	608 529	152 301	-	760 830	2 026 385
Main: Electricity	5 661 218	-	5 661 218	-	1 148 716	-	6 809 935	2 114 337	-	2 114 337	118 991	-	2 233 328	4 576 607
Taxi Ranks	935 995	-	935 995	-	270 000	-	1 205 995	-	-	-	-	-	-	1 205 995
Community Assets	**9 579**	**-**	**9 579**	**-**	**-**	**-**	**9 579**	**-**	**-**	**-**	**319**	**-**	**319**	**9 259**
Parks & Gardens	9 579	-	9 579	-	-	-	9 579	-	-	-	319		319	9 259
Leased Assets	**-**	**-**	**-**	**-**	**91 610**	**-**	**91 610**	**-**	**-**	**-**	**19 493**	**-**	**19 493**	**72 117**
Office Equipment	-	-	-	-	91 610	-	91 610	-	-	-	19 493	-	19 493	72 117
Other Assets	**20 560 522**	**-**	**20 560 522**	**-**	**4 893 523**	**2 128 690**	**23 325 355**	**5 184 097**	**-**	**5 184 097**	**1 919 359**	**879 412**	**6 224 043**	**17 101 312**
Motor Vehicles	5 097 834	-	5 097 834	-	568 637	93 954	5 572 517	1 148 275	-	1 148 275	391 859	42 577	1 497 557	4 074 961
Plant & Equipment	11 673 284	-	11 673 284	-	1 818 397	1 691 357	11 800 324	2 623 804	-	2 623 804	866 115	603 534	2 886 385	8 913 939
Office Equipment	999 255	-	999 255	-	604 362	74 484	1 529 133	417 361	-	417 361	178 387	51 445	544 303	984 830
Furniture & Fittings	1 287 700	-	1 287 700	-	1 005 770	161 452	2 132 018	509 742	-	509 742	171 977	125 099	556 620	1 575 398
Loose Equipment	75 943	-	75 943	-	87 167	-	163 109	31 547	-	31 547	18 977	-	50 525	112 585
Computer Equipment	1 413 971	-	1 413 971	-	809 192	97 798	2 125 365	445 950	-	445 950	290 503	48 829	687 624	1 437 741
Security Items	12 535	-	12 535	-	-	9 645	2 890	7 418	-	7 418	1 540	7 927	1 031	1 859
	159 089 314	**-**	**159 089 314**	**-**	**31 759 474**	**2 128 690**	**188 720 098**	**35 827 971**	**-**	**35 827 971**	**10 618 958**	**1 157 691**	**45 289 238**	**143 430 861**

30 JUNE 2010

Reconciliation of Carrying Valu	Cost							Accumulated Depreciation						Carrying Value
	Opening Balance R	B/F Adjustments on Opening Balance Note 37.04	Restated Opening Balance	B/F Adjustments on movement for the year Note 37.04	Additions R	Disposals - Restated R	Closing Balance R	Opening Balance R	B/F Adjustments Note 37.04	Restated Opening Balance	Additions R	Disposals /Revaluation - Previously not R	Closing Balance R	R
Land and Buildings	**10 783 569**	**16 231 431**	**27 015 000**	**-**	**8 003 710**	**-**	**35 018 710**	**-**	**377 449**	**377 449**	**188 685**	**566 134**	**-**	**35 018 710**
Land	878 129	7 278 371	8 156 500	-	-	-	8 156 500	-	377 449	377 449	188 685	566 134	-	8 156 500
Buildings	9 905 440	8 953 060	18 858 500	-	8 003 710	-	26 862 210	-	-	-	-	-	-	26 862 210
Infrastructure	**73 204 187**	**352 399**	**73 556 587**	**-396 398**	**29 943 917**	**-**	**103 500 503**	**-**	**24 097 686**	**24 097 686**	**6 546 188**	**-**	**30 643 874**	**72 856 629**
Main: Roads	64 174 626	-12 671 791	51 502 835	-158 418	26 629 715	-	78 132 550	-	20 224 272	20 224 272	5 866 127	-	26 090 399	52 042 151
Main: Storm Water	-	13 024 190	13 024 190	3 071 784	3 071 784		16 095 974		1 421 839	1 421 839	408 770		1 830 609	14 265 365
Main: Waste Management	2 674 765	-	2 674 765	-2 825 992	-	-	2 674 765	-	456 228	456 228	152 301	-	608 529	2 066 236
Main: Electricity	5 418 801	0	5 418 801	-483 772	242 418	-	5 661 218	-	1 995 345	1 995 345	118 991	-	2 114 337	3 546 882
Taxi Ranks	935 995	-0	935 995	-	-	-	935 995	-	-	-	-	-	-	935 995
Community Assets	**21 719 725**	**-21 719 725**	**-**	**-**	**9 579**	**-**	**9 579**	**-**	**-**	**-**	**-**	**-**	**-**	**9 579**
Recreation Grounds	5 623 148	-5 623 148	-	-	-	-	-	-	-	-	-	-	-	-
Civil Buildings	6 868 270	-6 868 270	-	-	-	-	-	-	-	-			-	-
Libraries	5 146	-5 146	-	-	-	-	-	-	-	-			-	-
Parks & Gardens	83 024	-83 024	-	-	9 579	-	9 579	-	-	-			-	9 579
Preschools	3 972 524	-3 972 524	-	-	-	-	-	-	-	-			-	-
Cemetery	3 680 157	-3 680 157	-	-	-	-	-	-	-	-			-	-
Clinics	1 487 455	-1 487 455	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	**15 588 174**	**339 510**	**15 927 685**	**123 595**	**5 860 818**	**1 227 982**	**20 560 522**	**-**	**4 244 797**	**4 244 797**	**1 541 594**	**602 295**	**5 184 097**	**15 376 425**
Motor Vehicles	4 021 291	127 527	4 148 819	-	1 452 697	503 682	5 097 834	-	1 030 106	1 030 106	332 372	214 203	1 148 275	3 949 560
Plant & Equipment	1 509 798	7 115 997	8 625 795	131 198	3 498 542	451 053	11 673 284	-	2 049 187	2 049 187	740 747	166 129	2 623 804	9 049 480
Office Equipment	1 099 029	-287 191	811 838	35 057	191 782	4 366	999 255	-	288 296	288 296	130 817	1 753	417 361	581 894
Furniture & Fittings	716 608	375 446	1 092 054	10 806	201 131	5 485	1 287 700	-	393 629	393 629	119 635	3 522	509 742	777 958
Loose Equipment	757	64 666	65 423	2 167	15 384	4 864	75 943	-	23 555	23 555	12 356	4 364	31 547	44 395
Computer Equipment	1 340 620	-166 509	1 174 111	-55 632	498 393	258 533	1 413 971	-	454 023	454 023	204 251	212 325	445 950	968 022
Specialised Vehicles	6 848 680	-6 848 680		-	-	-	-	-	-	-	-	-	-	-
Security Items	51 391	-41 746	9 645	-	2 890	-	12 535		6 001	6 001	1 417	-	7 418	5 117
	121 295 655	**-4 796 384**	**116 499 271**	**-272 802**	**43 818 024**	**1 227 982**	**159 089 314**	**-**	**28 719 932**	**28 719 932**	**8 276 468**	**1 168 429**	**35 827 971**	**123 261 343**

12 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality did not measure the Property, Plant and Equipment in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Property, Plant and Equipment	(5 263 726)
Accumulated depreciation on Property, Plant and Equipment	(35 827 971)
Total not previously recognised now restated retrospectively	**(41 091 697)**

INSERT ACCOUNTING POLICY

APPENDIX A - Unaudited
SENQU MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
ANNUITY LOANS							
DBSA loan	Floating	103126/1	2031	8 336 579	8 381 806	310 587	16 407 798
Total Annuity Loans				**8 336 579**	**8 381 806**	**310 587**	**16 407 798**
LEASE LIABILITY							
Finance Leases				-	91 610	18 172	73 438
Total Lease Liabilities				**-**	**91 610**	**18 172**	**73 438**
TOTAL EXTERNAL LOANS				**8 336 579**	**8 473 416**	**328 758**	**16 481 236**

APPENDIX B - Unaudited
SENQU MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2011
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	802 981	1 288 607	-	2 091 588	82 725	134 518	-	217 243	1 874 345
Planning & Development	2 315 801	1 071 111	-	3 386 912	337 423	245 437	-	582 861	2 804 052
Corporate Services	38 243 058	9 546 448	-	47 789 506	783 181	503 072	278 279	1 007 974	46 781 532
Budget & Treasury	3 373 433	702 159	1 626 455	2 449 136	1 023 417	390 180	515 363	898 233	1 550 903
Road Transport	106 911 066	16 699 618	461 144	123 149 540	31 039 096	9 008 691	340 419	39 707 369	83 442 170
Electricity	6 852 731	2 228 567	-	9 081 299	2 374 287	255 553	-	2 629 840	6 451 459
Community & Social Services	474 007	110 515	-	584 521	157 791	72 962	-	230 753	353 768
Health	41 090	-	41 090	-	20 537	3 093	23 630	-	-
Sport & Recreation	24 650	-	-	24 650	58	2 645	-	2 703	21 947
Waste Management	50 497	112 449	-	162 947	9 456	2 806	-	12 262	150 685
	159 089 314	**31 759 474**	**2 128 690**	**188 720 098**	**35 827 971**	**10 618 957**	**1 157 690**	**45 289 238**	**143 430 861**

APPENDIX C - Unaudited
SENQU MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
1 826 716	(12 403 219)	(10 576 503)	Executive & Council	2 674 718	(14 735 911)	(12 061 193)
3 351 070	(4 679 551)	(1 328 481)	Planning & Development	5 079 295	(8 577 200)	(3 497 905)
516 301	(4 655 209)	(4 138 908)	Corporate Services	80 921	(3 630 386)	(3 549 465)
13 653 515	(14 252 733)	(599 218)	Housing	10 118 272	(10 732 714)	(614 442)
29 270	(1 001)	28 269	Public Safety	25 290	(4 991)	20 299
60 254 709	(5 091 367)	55 163 341	Budget & Treasury	70 569 375	(7 091 819)	63 477 555
20 968 451	(15 580 673)	5 387 777	Road Transport	34 350 377	(33 814 322)	536 055
4 983 365	(4 959 830)	23 535	Waste Water Management	6 249 987	(5 910 479)	339 507
4 495 471	(4 322 237)	173 234	Water	6 078 187	(5 867 382)	210 805
10 820 534	(17 038 848)	(6 218 314)	Electricity	16 962 231	(18 733 513)	(1 771 281)
637 205	(4 503 786)	(3 866 581)	Community & Social Services	1 282 919	(5 202 408)	(3 919 489)
-	(44 406)	(44 406)	Sport & Recreation	-	(193 491)	(193 491)
4 367 582	(6 448 982)	(2 081 399)	Waste Management	4 879 656	(7 628 385)	(2 748 730)
						-
125 904 188	(93 981 842)	31 922 346	Sub Total	158 351 227	(122 123 001)	36 228 226
-	(49 804)	(49 804)	Less Inter-Departmental Charges	-	-	-
125 904 188	(94 031 646)	31 872 542	**Total**	158 351 227	(122 123 001)	36 228 226
547 840	(498 036)	49 804	Discontinued Operations (Health)	263 338	(317 271)	(53 933)
126 452 028	(94 529 682)	31 922 346	**Total**	158 614 565	(122 440 272)	36 174 293

APPENDIX D (1) - Unaudited
SENQU MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	4 197 252	3 427 815	769 437	22.45%	
Government Grants and Subsidies - Capital	41 478 066	18 248 550	23 229 516	127.30%	
Government Grants and Subsidies - Operating	76 493 759	136 180 859	(59 687 100)	-43.83%	
Actuarial Gains	632 639	-	632 639	0.00%	
Fines	69 300	20 000	49 300	246.50%	
Service Charges	17 853 820	17 576 330	277 490	1.58%	
Water Services Authority Contribution	9 286 090	9 286 090	-	0.00%	
Rental of Facilities and Equipment	375 048	211 000	164 048	77.75%	
Interest Earned - External Investments	4 915 084	4 800 000	115 084	2.40%	
Interest Earned - Outstanding Debtors	1 136 907	923 080	213 827	23.16%	
Licences and Permits	950 871	530 000	420 871	79.41%	
Agency Services	462 566	479 000	(16 434)	-3.43%	
Other Revenue	499 824	347 100	152 724	44.00%	
Total Revenue	**158 351 227**	**192 029 824**	**(33 678 597)**		
EXPENDITURE					
Executive & Council	(14 735 911)	(15 880 362)	1 144 451	-7.21%	
Planning & Development	(8 577 200)	(20 806 755)	12 229 555	-58.78%	
Corporate Services	(3 630 386)	(4 458 470)	828 084	-18.57%	
Housing	(10 732 714)	(19 083 865)	8 351 151	-43.76%	
Public Safety	(4 991)	(5 900)	909	-15.40%	
Budget & Treasury	(7 091 819)	(8 038 930)	947 111	-11.78%	
Road Transport	(33 814 322)	(47 422 820)	13 608 498	-28.70%	
Waste Water Management	(5 910 479)	(7 472 560)	1 562 081	-20.90%	
Water	(5 867 382)	(6 238 265)	370 883	-5.95%	
Electricity	(18 733 513)	(19 322 725)	589 212	-3.05%	
Community & Social Services	(5 202 408)	(5 886 875)	684 467	-11.63%	
Sport & Recreation	(193 491)	(322 065)	128 574	-39.92%	
Waste Management	(7 628 385)	(7 277 550)	(350 835)	4.82%	
Total Expenditure	**(122 123 001)**	**(162 217 142)**	**40 094 141**		
NET SURPLUS/(DEFICIT) FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS	**36 228 226**	**29 812 682**	**6 415 544**	21.52%	
Discontinued Operations (Health)	(71 394)	(337 345)	265 951	-78.84%	
NET SURPLUS/(DEFICIT) FOR THE YEAR - AFTER DISCONTINUED OPERATIONS	**36 156 833**	**29 475 337**	**6 681 496**		

APPENDIX D (2) - Unaudited
SENQU MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2011 Actual	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	%	
Executive & Council	1 288 607	1 288 607	1 549 520	(260 913)	-16.84%	
Planning & Development	1 071 111	1 071 111	1 265 000	(193 889)	-15.33%	
Corporate Services	9 546 448	9 546 448	10 147 680	(601 232)	-5.92%	
Budget & Treasury	778 594	778 594	784 130	(5 536)	-0.71%	
Road Transport	16 704 941	16 704 941	22 708 470	(6 003 529)	-26.44%	
Waste Water Management	-	-	3 091 305	(3 091 305)	-100.00%	
Electricity	2 228 567	2 228 567	4 355 000	(2 126 433)	-48.83%	
Community & Social Services	110 515	110 515	103 000	7 515	7.30%	
Sport & Recreation	-	-	514 960	(514 960)	-100.00%	
Waste Management	112 449	112 449	290 000	(177 551)	-61.22%	
Total	**31 841 232**	**31 841 232**	**44 809 065**	**(12 967 833)**	**-28.94%**	

APPENDIX E - Unaudited
SENQU MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2010	Transfers	Contributions during the year	Interest on Investments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2011
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R		R	R	R	R	R
National Government Grants							
Equitable Share	-	-	66 492 733	-	66 492 733	-	-
Municipal Finance Management	433 836	-	1 200 000	-	1 688 259	-	(54 422)
Municipal Infrastructure Grant	(1 821)	-	15 209 000	-	15 474 325	-	(267 146)
Municipal Systems Improvement	(36 320)	-	750 000	-	713 680	-	-
NDPG (Neighbourhood Development Partnership Grant)	-	-	11 000 000	-	3 803 603	-	7 196 397
EPWP (Expanded Public Works Program)	-	-	1 088 000	-	1 088 000	-	-
Total National Government Grants	395 695	-	95 739 733	-	89 260 600	-	6 874 828
Provincial Government Grants							
Performance Agreements	-	-	-	-	-	-	-
Peach & Vegetable Processing	8 302	-	-	-	-	-	8 302
Holo Hlahatsi Agricultural Project	104 517	-	-	-	-	-	104 517
Surveying / Land Audit	-	-		-	-	-	-
Heritage Management	229 912	229 912	-	-	-	-	-
Co-op's Development	2 993	-	-	-	-	-	2 993
Prov Gov - Housing (Lady Grey)	1 984 417	-	-	-	365 520.11	-	1 618 897
Prov Gov - Housing (Hillside)	446 773	-	10 440 679	-	9 606 620.39	-	1 280 832
Implementation Ownership	233 546	-	-	-	135 270	-	98 276
Traffic Test Station (Sterkspruit)	104 879	-	-	-	-	104 879	-
Rossouw Agricultural Project	92 811	-	-	-	-	-	92 811
Herschel People's Housing	6 774 561	-	-	319 752	-	-	7 094 314
Internet/Communication Systems	84 131	-	-	-	-	-	84 131
Plastic Products	1 410 047	-		-	241 367	962 600	206 080
Provincial Roads (Musong Road)	-	-	20 985 990	-	15 591 452	-	5 394 538
IEC Elections	-	-	750 000	-	750 000	-	-
Greenest Municipality	-	-	200 000	-	200 000	-	-
Small Town	-	-	100 489	-	-	-	100 489
Total Provincial Government Grants	11 476 889	229 912	32 477 158	319 752	26 890 229	1 067 479	16 086 181
District Municipality Grants							
Commonage Management Plan	59 781	-	-	-	1 725	-	58 056
Municipal Support Programme	83 650	-	-	-	21 792	-	61 858
Tourism	-	-	20 000	-	20 000	-	-
Joe Gqabi DM - District Call Centre	87 383	-	-	-	-	-	87 383
IDP	-	-	50 000	-	50 000	-	-
Libraries	-	-	660 000	-	660 000	-	-
Total District Municipality Grants	230 815		730 000	-	753 517	-	207 297
Total	**12 103 399**	**229 912**	**128 946 891**	**319 752**	**116 904 346**	**1 067 479**	**23 168 306**